

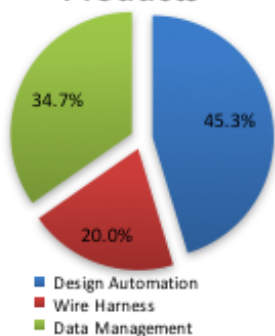
Zuken (6947, JP)

Exchange: Tokyo Stock Exchange 1
Sector: CAD software development
Market Cap: JPY23.7 billion
P/B: 1.2x (3/17 act)

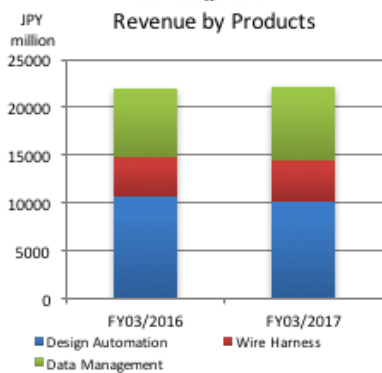
Recommendation: Outperform
Share Price: JPY1,491 (7/14/2017)
Target Price: JPY2,056
P/E: 24.8x (3/18 CE)
Div. Yield: 1.3% (3/18 CE)



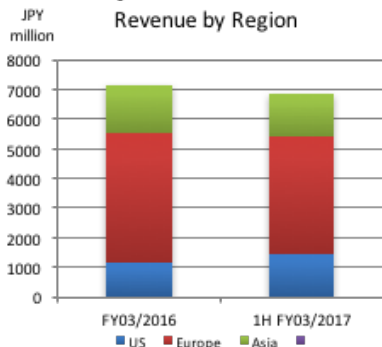
Revenue source by Products



Revenue by Products



Revenue by Region



Highlight

METRICAL maintains 'Outperform' due to positive earnings outlook and lower valuation. The share price has moved higher from JPY1,195 as of December 22nd 2016 on the previous report that has set its target price at JPY1,955, and has still room of upside as target price was revised upward to JPY2,056 on favorable business outlook. Its valuation remains still much lower than that of global competitors (examined in the previous report) for the past years, but should be revalued as Zuken raised its profit margin from the previous fiscal year finally and its business opportunity will expand led by innovation of production designing in robust demand on automobile and IoT fields. Aftermath of Mentor acquisition by Siemens, it seems to be limited effect at this time.

Business Description

Japan's largest PCB CAD developer was founded in 1976 by Mr. Makoto Kaneko, president and operates worldwide in Asia, US and Europe. Its technology develops products in 3 areas of electronic design automation (EDA) like PCB CAD, Automotive wire harness design and Engineering data management. Of total sale of FY03/2016, EDA accounts for 17.9%, Automotive does for 20.7%, Engineering data management does for 20.4% and client services and other accounts for 41.0%.

Design Automation

Design Automation (EDA) sale was down 2% YoY to JPY14,492 million for FY03/2017 mainly due to currency effect by appreciation of JPY. But local currency based revenue rose from the previous year. Zuken focuses on automotive and industrial machinery fields.

Automotive Harness

The sale of automotive wire harness design grew 7% YoY to JPY4,432 million from JPY4,153 million for FY03/2017. Newly released 'Architecture Planner' is selling at solid pace to wire harness maker. Automotive demand is expected to gain at solid pace globally.

Engineering Data Management

Engineering data management sale was up 8% YoY to JPY7,707 million from JPY7,125 million for FY03/2017. Zuken received orders of 'E3 series' from a large machine tool maker in 2H and is expected to gain orders for next few years. The sale is expected to grow 10% for 3 years.

Client & Other

The sale was up 2% to JPY4,549 million for 1H. Client service is mainly from EDA products and the profit margin is pretty high. Zuken anticipates the sale to increase 3% per annum.

Revenue by Region

On sales by geographic region for 1H, sale in Japan accounts for 69.0% (JPY6,855 million), and overseas sale in Asia, US and Europe were 7.0% (JPY692 million), 6.2% (JPY613 million) and 17.8% (JPY1,765 million) respectively.

Global Competitors by Sector

	CAD	PLM	EDA
PTC	Creo	Windchill	-
Dassault Systems	CaTiA	Enovia	-
Siemens	NX	Teamcenter	Mentor Graphics

Global Competitors by Customer Base

	Semi-conductor	PCB	Automotive	Data Mgmt
Synopsys	○	X	X	X
Mentor Graphics	○	○	○	△
Cadence	○	○	X	X
Altium	X	○	X	△
Zuken	X	○	○	○

Industry Overview and Competitive Positioning

Industry Overview

The market is comprised of 3 areas such as CAD, PLM and EDA. Zuken was only provider that offers solution for all 3 areas. However, the environment has changed. World CAD market is moving toward oligopoly, as consolidation of companies is accelerating. Big players, PTC, Dassault Systems and Siemens are expanding by employing acquisitions. On 14th November 2016, Siemens announced its acquisition of US CAD developer, Mentor Graphics for USD4.5billion. This transaction will enable the German company to expand to automotive area. In wire harness business, Mentor is a rival of Zuken. This might affect its automotive business in particularly in Europe. Zuken recognizes the impact of its business but seems to maintain its independent position at this moment, watching business environment closely.

Competitive Positioning

Domestic Market - Strong

Its competitive position in Japan is strong as a largest CAD company as a pioneer in the market with tight relationship with clients for 40 years. For recent 3 years from FY03/2013 to FY03/2016, the sale in Japan had a solid growth at 5.5% per annum, but slower than that of overseas markets., and is expected to keep 5% growth for next 3 years. This expectation would be an upper limit for the growth, while real GDP in Japan grows 0.6-0.7% annually and many manufacturers are unlikely to return CapEx from overseas to Japan.

Overseas Market - Mixed

Its competitiveness in overseas is not strong enough. On sales growth for past 3 years, Asia, US and Europe expanded 13.7%, 7.0% and 14.3% per annum respectively. Zuken expects sale of each region to gain 10%, 14% and 3% respectively. Asia is the most promising market and its position is relatively competitive, as a number of Japanese manufactures have shifted production in China and other Asia, and India is accelerating its business opportunity for raising its position as a production base in the world. On the other hand, US and European market is different. As mentioned in above Industry Overview, global rivals are based in Europe and US. For instance, Mentor Graphics is likely to expand its business backed by financial support by German giant,

Siemens. However, market penetration strategy of Zuken is sprouting, as the company received order from Qualcomm and Microsoft. One reason of increasing business in US is acquisition of CAETEK Inc. in December 2015. For further acceleration in US market, additional M&A should be an alternative strategy, as the market growth in this region will exceed other regions such as Europe and Japan.

Aftermath of Mentor Graphics' acquisition by Siemens

It was quite sensational news of the acquisition by an electric conglomerate in November. Although Zuken concerned about the effect on its business, the business environment has changed marginally at this moment. Both of top management of Siemens and Mentor Graphics suggested independence business strategy of Mentor for the time being in the interview after the acquisition. In fact, Siemens is one of the largest clients but Zuken maintains business with Siemens and has not changed business relation since then. Zuken keeps independent position and tries to maintain raising business from large manufacturers.

Investment Summary

Business Outlook

In short-term view, OP is expected to slightly move higher than company outlook for FY03/2018. Currently customers in Japan that heavily spend in 4Q have not decided yet investment plan fully but the demand looks very positive according to DI Index of BoJ Tankan survey. In mid-term view, earnings and profitability is expected to keep growing at solid pace led by robust demand of AIDAS and IoT that will boost the business opportunity of designing of manufacturers. Due to lower valuation as well as positive outlook, the share price is expected to approach to target price of JPY2,038 eventually.

Competitive Positioning and Risks

Zuken is a pioneer of CAD market in Japan but the domestic market is likely to grow at slower rate, although the company is developing markets, shifting from consumer electronics to automotive and factory automation. Key of growth is overseas expansion, as increasing number of Japanese companies promote product development and designing in overseas bases, while they are shifting production lines to overseas. Another risk of global competition is getting severer year by year, as rivals are getting bigger through repeated acquisitions. Industry is changing much faster than before.

Valuation

Examining peer comparison, Zuken's valuation is left significantly lower. It would be reasonable if its valuation expands a little more, as Mentor Graphics was recently acquired at much higher valuation such as 20x of market cap/EBITDA or 20x of EV/EBITDA, as the acquisition deal was posted in November 2016. Due to its lower profitability than peer applying the lowest of 4 competitors in multiples of market cap to EBIT, EBITDA and FCF to Zuken, the share price would be rise to JPY2,056 for FY03/2018 (E). Future value

would go up to JPY2,677 for FY03/2020 (E), assuming approximately 6% organic sales growth. Other key ratios such as EV/EBITDA, liquidity NAV and P/B are also supported.

Financial Stability

Zuken's financial position is pretty sound and its balance sheet is very strong. As this industry does not need employing heavy intangible asset and CapEx, free cash flow will keep growing at solid pace if revenue increases. Due to peaking out of development cost for this year, OP margin will move to improve and its financial position gets much stronger.

Business Outlook

Full Year FY03/2018

Zuken posted for full year outlook for FY03/2018. Revenue is expected to gain 8.1% YoY to JPY24,000 million, OP, RP and NP are expected to grow 19.0% YoY to JPY1,900 million, 27.2% YoY to JPY2,000 million and 16.1% YoY to JPY1,400 million respectively. Dividend will be paid JPY10 a share for semiannually (annually JPY20 a share).

METRICAL forecast for FY03/2018 (E)

METRICAL expects slightly better profits for this fiscal year on positive outlook of CAPEX of manufacturers. Sales are expected to rise 6.2% YoY to JPY23,573 million. OP, RP and NP are expected to rise 29.5% YoY to JPY2,068 million, 34.8% YoY to JPY2,118 million, 36.3% YoY to JPY1,643 million for the full year FY03/2018 (E). A key indicator of Bank of Japan Tankan survey shows positive demand of designing automation, as the DI Index of large manufacturers rose to 17 in June from 12 in March and 10 in December. This would help the revenue boost for the fiscal year end of 4Q in its busy season.

Mid-term Outlook by METRICAL FY03/2020 (E)

METRICAL maintains positive outlook for FY03/2020 (E) on favorable demand of designing automation of manufacturers. Robust demand in ADAS and IoT is very likely to expand manufacturing designing. Spread of IoT technology will brought significant impact in designing field, as standardization by IoT 4.0 will accelerate module based manufacturing in production place and ADAS technology brings large demand in automotive area that is strong field for Zuken in wire harness. Sales are expected to rise to JPY26,614 million. OP, RP and NP are expected to rise to JPY3,109 million, JPY3,159 million and JPY2,501 million for the full year FY03/2020 (E). Furthermore, Zuken changed accounting method of revenue to TBM (Time Based Maintenance) in FY03/2013. Before the year, the company booked revenue as its software was sold. Revenue in the previous year will add its revenue to the revenue in the ongoing year for TBM. OPM is expected to move higher to 10% for FY03/2019 (E).

Valuation

Based on the analysis below, target price is JPY2,056 for FY03/2018 (E) that is 27% upside potential from the closing price of JPY1,491 as of July 14th 2017 and was revised upward from JPY1,955 on December 22nd 2016. The TP would be supported by EV/EBITDA, liquidity NAV and P/B, too.

Sum-Of-The-Parts Valuation

Referring latest acquisition of Mentor Graphics (MENT, US), the share price is traded at 30x of EBIT/Market Cap, 20x of EBITDA/Market Cap and 36x of FCF/Market Cap. Lower valuation of Zuken would be mainly due to comparably lower profitability in OPM and ROE as well as EBIT growth rate. Considering its lower profitability, if the lowest multiples of 4 competitors are applied to the valuation for business value normalized from FY03/2013 to FY03/2018 (E), Zuken's share price is estimated to be JPY2,056 a share based on the business value of JPY1,083 added by net cash plus long-term investment and land (25% discount) as of FY03/2018 (E). The share price is traded at 27% discount from the NAV as shown table below. Additionally, exploring the future value for FY03/2020(E), NAV would rise to JPY2,677 that is 44% higher than closing price as of July 14th 2017. The sales and profit projection assumes approximately 6% organic growth from FY03/2018 to FY03/2020 (see the financial statements in Appendix).

NAVs:			NAVs:		
Sum of the parts NAV FY2017/3			Future NAV 2020/3		
Business	1,083	16x EBITDA	Business	1,537	16x EBITDA
Cash	958	1x Book	Cash	1,125	1x Book
Investment	87	0.75x Book	Investment	87	0.75x Book
Land	97	0.75x Book	Land	97	0.75x Book
Debt	(151)	1x Book	Debt	(151)	1x Book
Minority Int	(18)	1x Book	Minority Int	(18)	1x Book
Total SOTP	JPY 2,056	72.5%	Total Future	JPY 2,677	55.7%

Adjusted EV/EBITDA

EV/EBITDA for FY03/2018 (E) is estimated to be 5.6x far behind of that of peer. Zuken has investment securities and land (located in Yokohama). Including them as quasi cash, adjusted EV/EBITDA will go down to 3.7x for FY03/2018 (E).

	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)
Avg. Mkt. Cap	JPY 19,997	JPY 23,647	JPY 26,646	JPY 34,667	JPY 34,667	JPY 34,667	JPY 34,667
EV	JPY 3,493	JPY 7,445	JPY 10,327	JPY 17,649	JPY 16,312	JPY 14,573	JPY 12,419
EV/EBITDA	2.41	4.02	6.58	7.57	5.62	4.27	3.15
*EV (+Land+LT I)	(JPY 443)	JPY 1,943	JPY 5,076	JPY 11,945	JPY 10,608	JPY 8,869	JPY 6,715
*EV/EBITDA	-0.30	1.05	3.24	5.12	3.66	2.60	1.70
EV/EBIT	-0.70	1.93	6.55	7.48	5.13	3.43	2.16
EV/FCF	-0.69	2.01	-10.13	6.02	5.88	4.02	2.56

Financial Analysis

As shown key financial ratios in table below and financial statements summary in Appendix, Zuken has strong balance sheet, as net cash and net working capital are positive backed by relatively stable free cash flow over years. On the other hand, profitability is not high enough. Lower ROE is caused by lower financial leverage and in particular lower profit margin. CAD software development business does not need so much capital and intangible asset. Consequently, simply as revenue increases, FCF expands. Stably upbeat FCF from FY03/2018 will continue improving financial ratios.

Financial Ratios:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)
ROE	0.25%	0.62%	1.82%	0.95%	4.18%	5.51%	6.62%	7.58%
Gross Margin	72.44%	73.44%	73.23%	72.43%	71.02%	70.96%	70.90%	70.84%
EBITDA Margin	6.08%	7.34%	8.70%	7.15%	10.51%	12.31%	13.64%	14.82%
EBIT Margin	1.98%	3.19%	4.74%	3.53%	7.19%	8.77%	10.31%	11.68%
Return on Assets	0.19%	1.20%	1.26%	0.69%	2.92%	3.83%	4.58%	5.25%
Return on Fixed A:	1.46%	13.05%	14.67%	7.86%	35.12%	47.85%	60.12%	72.83%
Revenue / Assets	11.38%	50.90%	52.63%	56.19%	53.84%	54.92%	55.60%	55.90%
Depreciation / Cap	100.62%	122.39%	122.62%	88.75%	108.29%	166.67%	166.67%	166.67%
Depn / Sales	3.63%	3.73%	3.56%	3.23%	2.94%	3.18%	3.00%	2.82%
Capex / Sales	3.61%	3.05%	2.91%	3.64%	2.72%	1.91%	1.80%	1.69%
Depn / Net FA	3.13%	20.67%	21.87%	20.68%	19.02%	21.84%	21.84%	21.84%
Asset / Equity	1.27	1.40	1.43	1.37	1.41	1.41	1.41	1.40
Equity / Asset	78.75%	71.25%	70.13%	72.90%	70.90%	70.86%	71.02%	71.36%
Total Debt / EBITD	4.93	3.01	2.33	1.77	1.50	1.21	1.03	0.89

Investment Risks

Zuken is a leading company in Japan but has to expand more rapidly to overseas market from limited upside growth of domestic market. However, global competitors are much larger than Zuken and are keep growing levered by M&A. Business environment is harder and related risk is possibly medium to high.

Domestic Market (Very Likely, Middle Risk)

Zuken is a top company in this business and has tight relationship with customers for many years, but 69% of revenue comes from Japan. This is a risk for the company. GDP growth in Japan is pretty low and very likely to decrease domestic market in decreasing population. Large manufacturers have already shifted their production to overseas that is close to customers and market and less likely to move back to spend large investment in Japan. Although Zuken developed business demand shifting to automotive and factory automation areas from consumer electronics for years, slower growth in domestic market would be inevitable. Furthermore, Zuken would come under downward pressure on price by client manufacturers if Japan's economy goes into recession or further decrease, although we do not expect severe depression such as financial crises at the moment.

Overseas market (Likely, Middle-High Risk)

Global economy has been in recovery phase for 6-7 years, but the growth is not strong enough across the world. Only US economy is relatively growing at solid pace. If the engine had any problem, global economy would fall into recession soon. In case of global recession, CAD business would be affected negatively, too. Meanwhile, technology innovation cannot stop at all and ADAS and IoT are accelerating backed by steady society demand. CAD is supporting technology for promoting such innovation and demand will expand in line with the pace of innovation.

Global Consolidation (Very Likely, Middle-High Risk)

Competitors are getting bigger, as Altium (ALU, ASX) accelerated M&A and is growing very rapidly. As mentioned case of Siemens, the company would expand this business at faster pace. Even Japanese manufactures are more likely to promote develop product and design at outside Japan alongside global strategy. In case, key would be a global designing and global bases in Asia, US and US. Of course, Zuken has already built basis in those areas but has to strengthen its network and connection with local customers and facility to grasp needs in global and local market. In this trend, Zuken should accelerate expanding overseas markets faster than before to minimize the threat.

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METRICAL INC.

corporate governance, investment research & solutions

Appendix

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)	4,143	-1,031	-24.9%	3,111	-3,568	-86.1%	-456	-11.0%	-428	-435	45	26	-364		
2Q (act)	5,336	-1,482	-27.8%	3,854	-3,435	-64.4%	419	7.9%	476	476	-171	-28	277		
3Q (act)	4,679	-1,183	-25.3%	3,497	-3,642	-77.8%	-146	-3.1%	-79	-80	-31	35	-76		
4Q (act)	7,139	-2,005	-28.1%	5,134	-3,941	-55.2%	1,192	16.7%	1,197	1,169	-455	-41	673		
Full Year	21,297	-5,701	-26.8%	15,596	-14,586	-68.5%	1,009	4.7%	1,166	1,130	-612	-8	510	21.92	46.40
FY2016/3	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (act)	4,480	-1,111	-24.8%	3,368	-3,670	-81.9%	-302	-6.7%	-224	-222	-2	14	-210		
2Q (act)	5,694	-1,547	-27.2%	4,148	-3,687	-64.8%	460	8.1%	420	427	-141	-27	259		
3Q (act)	4,955	-1,340	-27.0%	3,615	-3,803	-76.8%	-187	-3.8%	-166	-163	1	29	-133		
4Q (act)	6,823	-2,054	-30.1%	4,768	-3,963	-58.1%	804	11.8%	721	674	-280	-39	355		
Full Year	21,952	-6,052	-27.6%	15,900	-15,123	-68.9%	775	3.5%	751	716	-422	-23	271	11.65	92.83
FY2017/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (act)	4,590	-1,200	-26.1%	3,389	-3,576	-77.9%	-186	-4.1%	-284	-343	50	42	-251		
2Q (act)	5,338	-1,393	-26.1%	3,945	-3,449	-64.6%	495	9.3%	469	473	-136	3	340		
3Q (act)	5,057	-1,473	-29.1%	3,585	-3,501	-69.2%	84	1.7%	195	109	-37	75	147		
4Q (act)	7,214	-2,368	-32.8%	5,847	-3,642	-50.5%	1,203	16.7%	1,191	1,193	-129	-94	970		
Full Year	22,199	-6,434	-29.0%	15,765	-14,168	-63.8%	1,596	7.2%	1,571	1,432	-252	26	1,206	51.87	28.74
Full Year (CE)	22,700						1,500	6.6%	1,550				1,000	43.01	34.67
FY2018/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (E)	4,774	-1,248	-26.1%	3,525	-3,719	-77.9%	-194	-4.1%	-181	-181	26	11	-143		
2Q (E)	5,605	-1,463	-26.1%	4,142	-3,621	-64.6%	521	9.3%	533	533	-153	-34	346		
3Q (E)	5,310	-1,547	-29.1%	3,763	-3,676	-69.2%	87	1.6%	99	99	-34	-6	59		
4Q (E)	7,884	-2,588	-32.8%	5,296	-3,642	-46.2%	1,654	21.0%	1,666	1,666	-180	-105	1,381		
Full Year (E)	23,573	-6,845	-29.0%	16,727	-14,659	-62.2%	2,068	8.8%	2,118	2,118	-341	-134	1,643	70.67	21.10
Full Year (CE)	24,000						1,900	7.9%	2,000				1,400		
FY2019/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (E)	4,965	-1,298	-26.1%	3,666	-3,868	-77.9%	-201	-4.1%	-189	-189	28	12	-149		
2Q (E)	5,885	-1,536	-26.1%	4,349	-3,803	-64.6%	547	9.3%	559	559	-161	-35	363		
3Q (E)	5,575	-1,624	-29.1%	3,951	-3,860	-69.2%	91	1.6%	104	104	-35	-7	62		
4Q (E)	8,617	-2,828	-32.8%	5,788	-3,642	-42.3%	2,146	24.9%	2,158	2,158	-233	-136	1,789		
Full Year (E)	25,042	-7,286	-29.1%	17,754	-15,172	-60.6%	2,582	10.3%	2,632	2,632	-402	-166	2,064	88.79	16.79
Full Year (CE)	26,000						2,600	10.0%							
FY2020/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
1Q (E)	5,163	-1,350	-26.1%	3,813	-4,033	-78.1%	-220	-4.3%	-207	-207	30	13	-164		
2Q (E)	6,179	-1,613	-26.1%	4,567	-4,005	-64.8%	562	9.1%	574	574	-165	-36	373		
3Q (E)	5,854	-1,705	-29.1%	4,149	-4,065	-69.4%	84	1.4%	97	97	-33	-6	58		
4Q (E)	9,417	-3,091	-32.8%	6,326	-3,642	-38.7%	2,684	28.5%	2,696	2,696	-292	-170	2,235		
Full Year (E)	26,614	-7,759	-29.2%	18,854	-15,744	-59.2%	3,109	11.7%	3,159	3,159	-459	-199	2,501	107.57	13.86
Full Year (CE)															

(Source) Zuken, METRICAL

Assumption USD/JPY=110 and EUR/125

Cash Flow Analysis	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18(E)	Mar-19(E)	Mar-20(E)
Net Income	304	466	509	270	1,206	1,643	2,064	2,501
Dep.	650	738	759	710	653	750	750	750
Amortization	99	79	118	142	153	150	150	150
Other non-cash ch	-1,403	723	651	-1,435	852	0	0	0
Changes in WC	688	-763	-453	612	-278	-290	-310	-332
Op. Cash Flow	338	1,243	1,584	299	2,586	2,253	2,654	3,069
Per share	JPY 14.54	JPY 53.46	JPY 68.12	JPY 12.86	JPY 111.22	JPY 96.90	JPY 114.15	JPY 131.99
Capex	-646	-603	-619	-800	-603	-450	-450	-450
Free Cash Flow	-308	640	965	-501	1,983	1,803	2,204	2,619
Per share	(JPY 13.25)	JPY 27.52	JPY 41.50	(JPY 21.55)	JPY 85.29	JPY 77.55	JPY 94.79	JPY 112.64
Beginning Cash	12,463	11,766	12,306	14,046	12,671	14,046	22,291	24,029
Net cash used	-697	540	1,740	-1,375	1,375	8,245	1,739	2,154
Ending cash	11,766	12,306	14,046	12,671	14,046	22,291	24,029	26,183

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METRICAL INC.

corporate governance, investment research & solutions

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3 (E)	2019/3 (E)	2020/3 (E)
Assets								
Current Assets								
Cash and Cash Equivalents	4,552	5,071	5,252	5,371	14,253	15,591	17,329	19,483
Short-Term Investments	16,013	16,188	15,696	14,176	6,700	6,700	6,700	6,700
Notes and Accounts	4,087	4,895	5,705	5,166	5,195	5,516	5,860	6,228
Allowance for Doubtful	(28)	(30)	(35)	(34)	(23)	(24)	(26)	(28)
Inventories	231	226	341	293	341	362	385	409
Deferred Income Taxes	416	341	333	340	407	432	459	488
Other Current Assets	1,139	1,525	1,662	1,786	2,127	2,259	2,399	2,550
Total Current Assets	26,410	28,216	28,954	27,098	29,000	30,836	33,107	35,830
Property, Plant and								
Land	3,009	3,009	3,009	3,009	3,009	3,009	3,009	3,009
Buildings	9,019	9,102	9,156	9,276	9,274	9,643	10,013	10,382
Machinery and Equipment	1,918	2,105	2,147	2,075	2,021	2,102	2,182	2,263
Construction in Progress	-	4	2	-	-	-	-	-
Total	13,946	14,220	14,314	14,360	14,304	14,754	15,204	15,654
Accumulated Depreciation	(7,418)	(7,641)	(7,835)	(7,917)	(7,925)	(8,241)	(8,556)	(8,872)
Net Property, Plant and	6,528	6,579	6,479	6,443	6,379	6,513	6,648	6,782
Software & Other								
Software & Other	860	759	724	747	740	740	740	740
Goodwill	986	997	836	972	790	640	490	340
	1,846	1,756	1,560	1,719	1,530	1,380	1,230	1,080
Other Assets								
Investments in and	-	-	-	-	-	-	-	-
Investment Securities	955	927	2,493	2,242	2,695	2,695	2,695	2,695
Software & Others	(15)	(9)	(14)	(17)	15	15	15	15
Deferred Income Taxes	721	787	498	580	486	486	486	486
Other	653	589	492	1,002	424	424	424	424
Total Other Assets	2,314	2,294	3,469	3,807	3,620	3,620	3,620	3,620
Total	37,098	38,845	40,462	39,067	40,529	42,349	44,604	47,312
Liabilities and								
Current Liabilities								
Bank Loans	-	-	-	-	-	-	-	-
Notes and Accounts	681	705	938	953	823	874	928	987
Accrued Expenses	-	-	-	-	-	-	-	-
Income Taxes	136	315	373	236	250	265	282	300
Other Current Liabilities	4,980	5,575	6,257	6,373	7,163	7,606	8,080	8,588
Current Portion of Long-	-	-	-	-	-	-	-	-
Total Current Liabilities	5,797	6,595	7,568	7,562	8,236	8,746	9,291	9,874
Long-Term Debt								
Deferred Income Taxes	-	-	-	-	-	-	-	-
Termination and	2,879	4,370	4,308	2,771	3,506	3,506	3,506	3,506
Other Long-Term Liabilities	168	201	210	256	252	252	252	252
	-	-	-	-	-	-	-	-
Total Liabilities	8,844	11,166	12,086	10,589	11,994	12,504	13,049	13,632
Stockholders' Equity								
Common Stock	10,117	10,117	10,117	10,117	10,117	10,117	10,117	10,117
Additional Paid-in Capital	8,657	8,657	8,657	8,657	8,657	8,657	8,657	8,657
Legal Reserve	8,845	8,986	9,314	8,888	9,629	11,272	13,337	15,838
Retained Earnings	-	-	-	-	-	-	-	-
Treasury Stock	(12)	(13)	(13)	(13)	(15)	(15)	(15)	(15)
Total Stockholders' Equity	27,607	27,747	28,075	27,649	28,388	30,031	32,096	34,597
Accumulated other								
Comprehensive Income	279	(452)	(136)	373	(282)	(615)	(969)	(1,346)
Warrant	0	0	0	0	0	0	0	0
Minority Interests in	368	385	438	457	429	429	429	429
Total Stockholders' Equity	28,254	27,680	28,377	28,479	28,535	29,845	31,556	33,680
Total	37,098	38,846	40,463	39,068	40,529	42,349	44,604	47,312