Date: 3/14/2020

General Packer (6267, JP)

Exchange: Tokyo Stock Exchange JASDAQ
Sector: Machinery
Market Cap: JPY2.7 billion
P/B: 0.63x (7/19 act)

Recommendation: Outperform
Share Price: JPY1,521 (3/13/2018)
Target Price: JPY4,431
P/E: 5.5x (7/20 CE)
Div. Yield: 3.6% (7/20 CE)

Highlight – Growing demand of pouch packaging continue rising the profit margin

METRICAL newly covers General Packer (6267, JP) and issues 'Outperform' with target price of JPY4,431. The packaging machinery maker is expected to gain the earnings for the mid-term on the increasing demand of pouch packaging in global and Japan market. The superior features such as extending shelf life of pouch packages will keep solid demand of the pouch packaging machinery globally. The increasing demand of packed foods for elderly people is an opportunity in Japan. The concern about food loss in developed countries is also a tailwind. General Packer has raised OP margin from 2% to 8% for 6 years led by the decrease of COGS/sales on the increase of sales. Further expansion of overseas sales from 20% toward 30% will drive the profitability higher for the mid-term.

DCF valuation of JPY4,431 per share is far higher than the closing price JPY1,521 on March 13th, 2020. Lately, the sell-off in global stock market dragged the share price lower amid the negative impact on the economy led by coronavirus infection. However, general Packer is expected to maintain the stable profits for FY7/2020 based on the build-to-order and keep solid mid-term growth on the robust demand of pouch packaging. EV/EBITDA and other valuations such as NAV and peer comparable multiples support the undervaluation. Low liquidity and small market cap would be a reason of such an undervaluation. However, the revaluation is expected soon after the overall market will be stabilized on the expectation of the solid cash flows and the strong balance sheet.

The key investment risks include the risk on human resources and product liability. The manufacturer that intends for R&D is highly dependent of securing the quality and the number of engineers for the sustainable growth. This risk impact middle-high and the possibility is very likely due to the demographic trend. The company could have secured engineers but should keep close eyes on it. Also, for the manufacturer that provides the products to food industry, appropriate instruction to the customers is the key issue. The company has dealt with such risk. The impact of the risk is middle-high but the probability is less likely.

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Chart 1: Sales by Business Segment (FY7/2019)

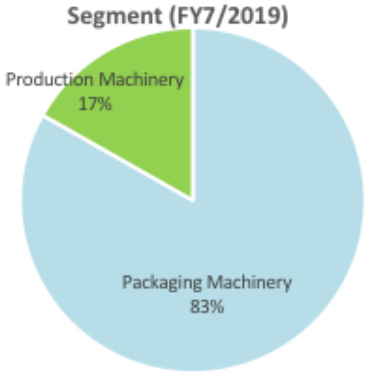


Chart 2: OP by Business Segment (FY7/2019)

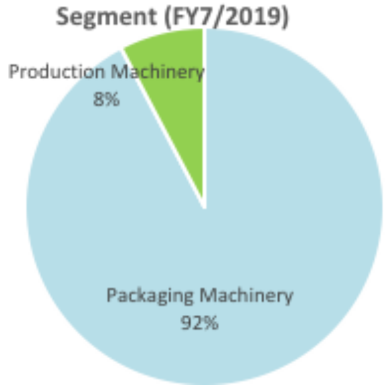


Chart 3: Sales by End User (Industry) (FY7/2019)

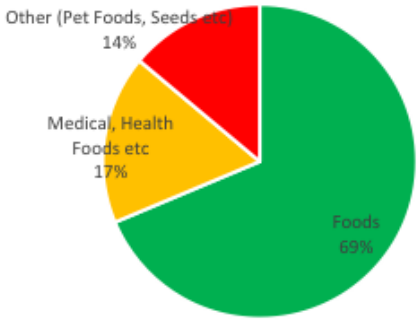
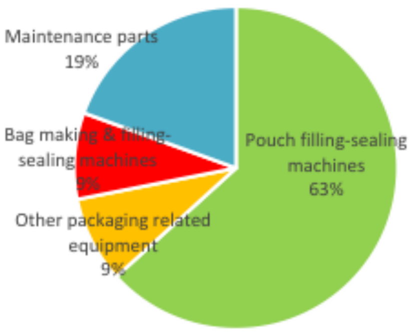


Chart 4: Sales by Type of Packaging Machine (FY7/2019)



Business Description

Hisashi Takano founded the sales company (Toyo Shoji) in Nagoya in 1961 and established General Packer Co., Ltd., to develop and manufacture packaging machines in the following year. Toyo Shoji changed the name to General Packer Co, Ltd., merging the manufacturing company. The company has further expanded the business since Pouch filling-sealing machine was newly introduced in 1968 and Gas-flushing type packaging machines was uniquely developed for packaging bonito flake in 1975. The company added Production Machinery business in 2016 when Osa Machinery Co., LTD., a chocolate production machine manufacturer was combined through acquisition. Correctly, General Packers has 2 business segment of Packaging Machinery and Production Machinery.

Packaging Machinery

Packaging Machinery business segment remains as the core business, accounting for 83% in sales and 92% in operating profit of the overall business of the company as of FY7/2019 (Chart 1: Sales by Business Segment, and Chart 2: OP by Business Segment). Packaging machines are mostly sold for foods industry but expanded to health care and pet foods sectors. The pie chart left (Chart 3: Sales by End User (Industry)) shows sales account for 69% to Foods makers, 17% to Medical, Health Foods etc. and 14% to Other (Pet Foods, Seeds, etc.). General Packers focuses on Pouch filling-sealing machines. The sales of the type of machines account for 63% for FY7/2019 as shown pie chart left (Chart 4: Sales by Type of Packaging Machine).

Production Machinery

Production Machinery business segment was combined in General Packer in September 2016 for JPY2,200 million. The sales of the business segment accounting for 17% in sales and 8% in operating profit of the overall business of the company as of FY7/2019 (Chart 1: Sales by Business Segment, and Chart 2: OP by Business Segment). The operating profit was JPY57 million absorbing the goodwill amortization of JPY36 million for FY7/2019. The subsidiary, Osa Machinery Co., LTD. provides chocolate production machines to baking industry.

Industry Overview and Competitive Positioning

Industry Overview (Packaging Machinery)

<u>Expanding Flexible Packaging in Global Market</u>

The pouch packaging is included in Flexible Packaging category. Flexible packaging is growing faster than other packaging. According to ReportBuyer Ltd, the global flexible packaging market is expected to grow at a CAGR of over 3% during the period 2018–2024. Flexible packages are replacing from other type of packages in two reasons of cost and environment. Due to the lower impact on environment than other types of packing materials, flexible packaging is more

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advantageous than rigid packaging. Low raw material cost, low production cost, lightweight nature that results in lower transportation cost are listed as the major factors that will lead the global flexible packaging market going forward. In this packaging, pouch packaging drives the flexible packaging market due to the ability to extend the shelf life of food products, while more than 60% of the packaging is used by food industry. For developing countries with low per capita, flexible packaging (including pouch packaging) has more opportunity to be used due to the low-cost material (and machinery) of flexible packaging. For developed countries, pouch or flexible packaging is growing further due to the increase of ready to eat food as consumption of ready to eat food and per capita incomes are correlate each other. Another factor is recycling. The use of recycling content emerges as a new unique point in the mature market such as Europe and North America. Shifting paper wraps from plastic wraps is growing fast in the regions. This would accelerate the trend of shifting to flexible (pouch) from other packaging. Health care industry is the 2nd largest user. For instance, medical devices irequire sterile packaging. Due to the high barrier protection, flexible packaging helps medical devices maintain the functionalities and efficiency. Also, if cosmetic industry uses more flexible packaging, the market will accelerate growing, as people live in a country that per capita income increases would spend cosmetics.

Moderate Growth Opportunity of Flexible Packaging in Japan

Flexible packaging or pouch packaging would have a growth opportunity in Japan, while the decreasing population is a headwind. The increase of the elderly population is likely to raise the solid demand of ready-to cooked and packed food. Due to the advantage of flexible packaging that keeps quality of food products longer, flexible packaging is expected to grow. Due to the labor shortage, the workplace in packaging factory needs automation replacing from reducing human work. Adding innovative features to packaging machinery helps to accelerate automation and raise efficiency and accuracy in filling and packaging.

Solid Growth of Global Packaging Machinery Market

Several institutions reveal the global packaging machinery market outlook. is expected clear expansion. Japan Packaging Machinery Manufacturers Association (JPMMA) expects the global market to grow from JPY 92 trillion for 2015 to JPY110 trillion for 2020. Infiniti Research Ltd. expects the global market to continue growing 5.15% CAGR to 2022. ReportBuyer Ltd, expects the global market is expected to grow from USD39,125 million for 2018 to USD54,563 million for 2025 at CAGR of 4.86%. The pouch packaging machinery is likely to grow higher than 4.55%, the average of the 3 institutions for the overall packaging machinery market due to the advantageous features.

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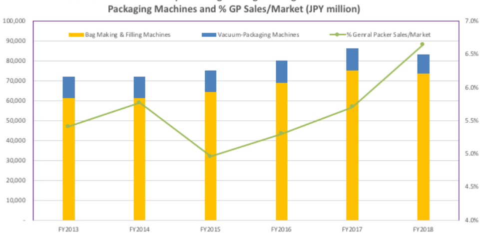
Table 1: Packaging Machines Production in Japan (JPY billion)

Type of Machines	Production
Individual/Interior Packaging	396
Measurement Equipment	28
Filling Machines	53
Bottling Machines	72
Bag Making & Filling Machines	73
Vacuum-Packaging Machines	10
Other	159
Exterior/Packing	69
Case-Packing Machines	22
Other	48
Total (including Exports JPY56 billion)	465

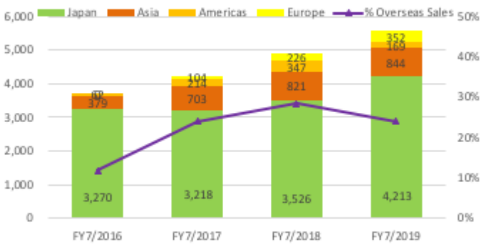
(Source) JPMMA FY2018 (April 2018-March 2019)

Chart 5: Production of Japan of Bag Making & Filling Machines and Vacuum-Packaging Machines and % GP Sales/Market (JPY million)



(Source) JPMMA, General Packer, METRICAL
(Note) GP Sales is Packaging Machinery excluding maintenance parts.
(Note) FY2018 of Production of Japan of Bag Making & Filling Machines and Vacuum-Packaging Machines is April 2018-March 2019.

Chart 6: Sales by Region of Packaging Machinery of General Packer (JPY million)



Stable Growth of Packaging Machinery Market in Japan

The market that General Packer focuses on is Bag Making & Filling Machines and Vacuum-Packaging Machines by the segmentation by JPMMA. The market (machinery production base including exports) grew to JPY83.3 billion for FY2018 (April 2018-March 2019) from JPY71.8 billion for FY2013 at 3.0% CAGR, as shown table left (Table 1: Packaging Machines Production in Japan). Meanwhile, General Packer raised the packaging machinery sales (excluding sale of maintenance parts) from JPY3,882 million for FY7/2014 to JPY5,531 million for FY7/2019 at 7.3% CAGR. The company grew much faster than the market for the past 5 years, as shown the chart left (Chart 5: Production of Japan of Bag Making & Filling Machines and Vacuum-Packaging Machines and % GP Sales/Market). In the moderate growth flexible packaging machinery market in Japan, the company expanded the sales in Japan and overseas market, as shown the chart left (Chart 6: Sales by Region of Packaging Machinery of General Packer).

Competitive Positioning (Packaging Machinery)

Differentiation Strategy in the Niche Market

Pouch packaging machinery market is fragmented in global and Japan. The reasons are the wide range of use, purpose and type of packages. The machinery makers play in the segment that each of them has strength. General Packer has strength in Rotary packaging machines that are advantageous in multi-tasks, space-saving and less-trouble as well as high-durability. The company has led innovation of the pouch packaging and vacuum-packaging machines in Japan, focusing on the machines for highly difficult packaging. The technology that was developed for the bonito flakes (highly difficult goods for packaging) packaging machines proves useful for further technology development. The content that is highly difficult to handle like powder are difficult to fill in the package efficiently and needs advanced technology. For the recently increasingly demanded pouch with zipper packaging, the company has led the technology, as the technology that fills Nitrogen gas for keeping the freshness of the food in the package helps the new packaging. Therefore, technology development is a core competence. The company projects to launch 2 new models and updated 1 model for FY7/2020, raising R&D cost to JPY300 million (3.8% of the segment sales) for FY7/2020 from JPY250 million (3.7% of the segment sales) for FY7/2019. Another key of the differentiation is customization. The company actively works on to solve the issues of customers, coworking to enhance the technology with them.

5 Forces Analysis

The competitive positioning in 5 Forces seems to remain relatively low-Middle risks.

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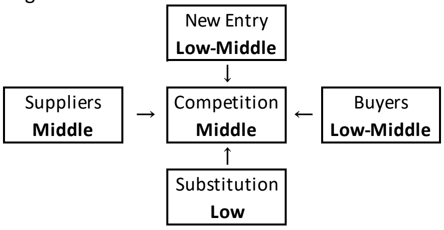
Figure 1: 5 Forces



Buyers (Low-Middle risk): For instance, the users of packaging machines are diversified in wide range of usage such as flour, pasta, rice, ice, candy, bonito flakes, tea, coffee and etc. Many customers of the company are large food makers but the customer need varies in individual packages. Packaging is a key of marketing strategy and safety, environmental issue is also increasingly important. General Packer focuses on customization, solving the issues and the customer need, also providing the total or one-stop solution of packaging rather than a single machine lately. The risk of buyers is limited between low and middle.

Suppliers (Middle risk): Supply chain management draws attention lately due to suspension of production in China led by coronavirus outbreak. General Packer produces the products in plants in Japan and less risk in such risk at this time. However, it will be likely to suffer such risk if some components rely on suppliers in China. Currently, the risk of suppliers would be limited but such potential risk should be considered in future if the company owes to production base or suppliers outside Japan.

Competition (Middle risk): A diverse companies participate in the packaging machinery market. As mentioned earlier, the pouch packaging machine market is fragmented. The market is obviously segregated in measurement machines, filling-sealing machines, bottling machines, Bag making & filling-sealing machines, Vacuum-Packaging Machines and etc., as shown table earlier (Table 1: Packaging Machines Production in Japan). The machine makers play a role in the area that each of them has strength in type of contents, package and use and etc. More specifically, the rivals of Rotary packaging machines are Toyo Jidoki, a subsidiary of Nabtesco (6267, JP) and Furukawa Mfg. Toyo Jidoki is good at producing the Rotary packaging machines for retort goods and Furukawa Mfg has strengths in the machines for packaging wet goods and vacuum-packaging machines. General Packer has strength in the packaging machines for dry goods such as powder, granule and solid that need high quality and focuses on high level of difficulty for filling and sealing and value added packages such as pouch with zipper. In the global market, competitors mainly produce machines that package on high-speed large-lot production of a narrow range of items, while Japanese makers produce machines that package small-lot production of wider-ranging items. Therefore, the rivals of General Packer are relatively limited number of machinery makers are such Japanese companies above in many cases as Japanese makers are keen to offer customers after-sale service, while European and Chinese makers would be reluctant to do it. After-sale service is another core competence. As a result, the risk of competition is middle in both Japan and global market.

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New Entry (Low-Middle risk): Due to the nature of segmented market, a number of companies are involved in the industry. The key of the barrier of entry is a technology. Programmable logic controller (PLC) plays a key role in enhancing the filling accuracy of pouch packaging but incorporating additional innovative features that enable to accelerate the filling accuracy, efficiency as well as speed and control the flow rate is also important. Therefore, due to the barrier of technology-development, there will not be many entry in the niche market. The risk of new entry remains low-middle.

Substitution (Low risk): Packaging plays more important role year by year. It helps our lives in keeping the quality of goods, increasing the portability for carrying around, helping the efficient/safe logistics as well as the value of products in advertisement. In addition to the increasing demand of packaging, the automation need is increasing in the packaging work replacing from human work. The substitution risk of packaging machinery is low.

In conclusion, the risks of 5 Forces are relatively in low-middle level. Due to the focusing strategy in the niche market, General Packer is in highly competitive positions in continuously developed technology, customization of solving customer's issue and detailed after-sale service.

Business Outlook

Packaging Machinery

2Q FY7/2020 Result

Actual result for 2Q moved higher than the company projection in profits. Sales increased 30.8% YoY to JPY5,033 million and OP, RP and NP grew 39.3% YoY to JPY502 million, 38.5% YoY to JPY502 million and 39.2% YoY to JPY350 million respectively, as some sale of packaging machines were moved up to 1H from 2H. Higher sales pulled gross profits and other profits.

Full Year Outlook for FY7/2020

The company projection was revised upward in profits for the full year for FY7/2020. The company maintained raising 6.9% YoY at JPY8,900 million in sales but revised up to rise from JPY598 million to JPY700 million in OP, from JPY600 million to JPY700 million in RP and from JPY420 million to JPY490 million in NP. The company projects OP to slid in 2H due to the decrease of sales and the increase of SGA expenses YoY.
Despite of the uncertainty of expansion of coronavirus infection, there would be potential risk in the possible delay of installation of machines to customers. However, the business is based on build-to-order (BTO), so the outstanding orders at the end of the previous quarter would realize as the sales for the following quarter. Therefore,

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METRICAL expect slightly higher sales and profits than the company guidance. The sales are expected to increase 7.5% YoY to JPY8,948 million and OP, RP and NP are expected to remain flat YoY at JPY739 million, JPY739 million and JPY518 million respectively for FY7/2020 (Table 9: Income Statement in Appendix).

Further Expansion in Overseas Market

The company aims to develop the customers globally in the pouch packaging machines, delivering the value of the Rotary packaging machines. Backed by the advanced technology and the solution capability of customer need, the company has expanded the overseas sales as shown the chart earlier (Chart 6: Sales by Region of Packaging Machinery of General Packer). The company set up the subsidiary in China in 2016 that increased the sale to JPY190 million for 1H FY7/2020 from JPY50 million a year ago, and reinforce the sales agents to support in Americas that sold 7 units for 1H FY7/2019, increasing from 6 units for FY7/2019 full year. Delivering the value of and the advantages of the company to overseas customers is still on the way but is expanding steadily. The company increased the overseas machine sales to increase from 28 units for FY7/2017 to 34 units for FY7/2018 and 40 units for FY7/2019, and project keep increasing for FY7/2020, as the company receives order from Thailand, US, France , China, Taiwan etc. and schedules to run a booth in an exhibition for further sales promotion for 2H FY7/2020. The company is likely to raise the overseas sales projection in the next mid-term-management plan (FY7/2021-FY7/2023). For the past years, packaging machines have used by large companies in overseas for high speed and large-lot packaging/production in a single package. However, the main uses are moving to the developing countries that need mid-volume and flexible (pouch) packaging lately. Also, an increasing number of food and health care makers are likely to use outsourcing vendors for packaging. The vendors prefer the versatile machines to a single task-machines. General Packer newly developed the filling machine that can change the package type in 30 seconds and will boost the business opportunity for the company going forward. For the developed countries, the increasing requirement in safe and environmental regulations will also expand the business opportunity going forward.

Mid-Term View for FY7/2023

The profit margin has significantly improved due to the decrease of COGS helped by the higher volume (the number of products sold). The OPM surged from 2.6% for FY7/2017 to 8.9% for FY7/2019. As an increasing number of products will be sold along to the expansion of overseas sales, the profit margin is expected to continue rising for the mid-term, assuming other expenses are well controlled. METRICAL expects the sales and the profits to soft one time for FY7/2021 due to the possibly lower CapEx demand of customers led by the impact of coronavirus although customers are foods, health care companies

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who are less vulnerable to business cycle, but will recover from FY7/2022, rising the overseas sales to nearly 30% for FY7/2023 and maintaining R&D cost within 4% to the sales. Sales are expected to grow to JPY10,381 million and OP, RP and NP are expected to increase to JPY910 million, JPY911 million and JPY640 million respectively (Table 9: income Statement in Appendix).

Table 2:

DCF - General Packer (6267 JP)	JPY million
PV of SUM of FCF	1,432
PV of Terminal Value	6,972
Enterprise Value	8,404
Non Business Assets	0
Debt	578
Equity Value	7,826
Equity Value/Share	4,431

Table 3:

WACC - General Packer (6267 JP)	
Deabt	578
Equity Market Value	3,044
Risk free Rate	0.60%
Equity Risk Premium	5.00%
Beta	0.80
Cost of Debt	1.01%
Cost of Equity	4.60%
WACC	3.98%

Valuation

DCF Valuation

DCF valuation shows significantly undervalued, on the closing price JPY1,692 on March 12th, 2020, targeting at JPY4,431 per share (Table 2: DCF - General Packer (6267 JP)). DCF considers projected Free Cash Flows of the period from FY7/2020 (E) to FY7/2023 (E). The projected FCF by METRICAL is expected solid growth for the period, while CapEx for building new production base remain relatively high from FY7/2019 to FY7/2023 (E) (Table 12: Cash Flow Statement) in line with the expansion of overseas sales, as shown table below (Table 8: Domestic/Overseas Sales Projection of General Packer).
The WACC is estimated to be 3.98% as shown in the table left (Table 3: WACC - General Packer (6267 JP)). The terminal growth rate (g) is assumed on the conservative expectations at 0% as Japan's decreasing population will offset the growth potential in the global packaging machinery market in the long-term view. The table left (Table 4: WACC-g Sensitivity Analysis) also shows the sensitivity analysis of the equity value per share by 25 bp changes in WACC and terminal growth rate (g). As a result, the projected equity value per share changes in each cell, but all values are far higher than the closing price.

Table 8: Domestic/Overseas Sales Projection of General Packer

	Domestic Sales		Overseas Sales		Total	
	(JPY million)	%	(JPY million)	%	(JPY million)	%
FY2016/7	4,484	88.9%	559	11.1%	5,043	100%
FY2017/7	4,513	82.7%	944	17.3%	5,457	100%
FY2018/7	4,647	75.4%	1,516	24.6%	6,163	100%
FY2019/7	5,334	77.0%	1,593	23.0%	6,927	100%
FY2020/7 (E)	6,217	78.1%	1,747	21.9%	7,964	100%
FY2021/7 (E)	5,945	75.9%	1,886	24.1%	7,831	100%
FY2022/7 (E)	6,384	73.8%	2,268	26.2%	8,652	100%
FY2023/7 (E)	6,636	70.5%	2,772	29.5%	9,408	100%

(Source) General Packer, METRICAL

Table 4: WACC-g Sensitivity Analysis

	Equity Value/Share	WACC 3.38%	3.58%	3.78%	3.98%	4.18%	4.38%	4.58%
	-0.60%	4,523	4,293	4,084	3,893	3,718	3,557	3,408
	-0.40%	4,744	4,492	4,263	4,056	3,866	3,692	3,532
	-0.20%	4,990	4,712	4,461	4,234	4,028	3,840	3,667
g	0.00%	5,266	4,956	4,680	4,431	4,205	4,001	3,814
	0.20%	5,576	5,230	4,923	4,648	4,401	4,177	3,973
	0.40%	5,928	5,538	5,195	4,890	4,617	4,371	4,149
	0.60%	6,330	5,888	5,501	5,160	4,857	4,585	4,341

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EV/EBITDA

EV/EBITDA has come down to 1.60x for FY7/2019 and is expected to fall to 1.29x for FY7/2020 (E). The projected free cash flow will come under pressure on the CapEx for new production line for the next few years, but will generate between JPY300 million to JPY500 million each year for the same period. Therefore, EV/EBITDA is expected to fall below 1.00x for FY7/2021 (E) and FY7/2023 (E) on the current price. The valuation also looks low compared with 6.18x for FY7/2017 and 4.84x for FY7/2018 in the historical EV/EBITDA (Table 5: EV/EBITDA).

Table 5:

EV/EBITDA	July-14	July-15	July-16	July-17	July-18	July-19	July-20(E)	July-21(E)	July-22(E)	July-23(E)
Avg. Mkt. Cap	JPY 2,289	JPY 3,404	JPY 3,008	JPY 3,007	JPY 3,001	JPY 2,988	JPY 2,989	JPY 2,989	JPY 2,989	JPY 2,989
EV	JPY 297	JPY 1,358	JPY 932	JPY 2,552	JPY 2,266	JPY 1,642	JPY 1,411	JPY 1,022	JPY 764	JPY 401
EV/EBITDA	1.09	3.80	2.42	6.18	4.84	1.96	1.64	1.34	0.82	0.38

NAV Analysis (Sum-of-the-Parts NAV)

NAV analysis based on FY7/2019 end is estimated to be JPY3,117 per share. The analysis combines the business value on the FCF, EBIT, EBITDA and FCF added to the net cash and other assets after substituting debts. The business value of Packing Machinery and Production Machinery was evaluated by 10x FCF and 5x EBITDA respectively. The net cash and other assets on the B/S side pull the NAV higher. The parent company has operated no debts, while the subsidiary that was acquired in 2016 holds some debt. Therefore, the NAV analysis also shows undervalued (Table 6: Sum-of-the-Parts NAV).

Table 6: Sum-of-the-Parts NAV

NAVs:		
Sum of the parts NAV: FY7/2019		
Packaging Machinery	1,970	10x FCF
Production Machinery	106	5x EBITDA
Cash	1,131	1x Book
Investment Securities	24	0.75x Book
Land	269	0.75x Book
Debt	(383)	1x Book
Minority Interest	-	1x Book
Total SOTP NAV	JPY 3,117	54.3%

Peer Comparison

Large companies operate more diversified businesses than a pouch packaging specialized manufacturer, General Packer. Therefore, it isn't easy to use comparable analysis perfectly. Even considering the smaller market cap and the liquidity, the company looks extremely cheaper than other companies in the valuation measures such as EV/EBITDA. (Table 7: Peer Comparison)

Table 7: Peer Comparison

	Amcor PLC (AMCR)	Sealed Air Corp (SEE)	IMA (IMA.MI)	Krones AG (KRN.DE)	Orora Ltd. (ORA.AX)	Winpak Ltd. (WPK.TO)	General Packer (6267)
EV/EBITDA	**14.71x**	**11.68x**	**10.47x**	**8.45x**	**18.32x**	**12.34x**	**2.74x**
Price/Sales	**1.2x**	**0.96x**	**1.36x**	**0.55x**	**0.83x**	**2.65x**	**0.37x**
Price/Book	**2.82x**	**N/A**	**5.65x**	**1.55x**	**1.98x**	**2.32x**	**0.78x**
OPM	8.69%	14.27%	11.52%	3.38%	5.62%	17.68%	9.29%
ROE	15.20%	N/A	39.76%	6.53%	9.17%	11.73%	15.50%
Market Cap (million)	USD 15,060	USD 4,590	EUR 2,290	EUR 2,210	AUD 3,550	CAD 3,090	JPY 3,210
Market Cap (USD million)	USD 15,060	USD 4,590	USD 2,565	USD 2,475	USD 2,272	USD 2,225	USD 44
EV (million)	USD 21,090	USD 8,240	EUR 3,110	EUR 2,360	AUD 3,550	CAD 2,540	JPY 2,250
Sales (million)	USD 11,100	USD 4,790	EUR 1,550	EUR 4,110	AUD 4,980	CAD 874	JPY 9,510
EBITDA (million)	USD 1,490	USD 850	EUR 180	EUR 253	AUD 399	CAD 199	JPY 1,020

(Source) Yahoo Finance as of March 12, 2020

Financial Analysis

Improving Profitability

The operating profit margin (OPM) of Packaging Machinery segment of the company rose from 2.6% for FY7/2013 to 8.9% for FY7/2019. The increase of the number of machines pulled the COGS to sales lower, as the number of machines sold grew from 114 units to 170 units for the same period. The model change of the flagship products also helped the production cost lower. As the overseas sales continue

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expanding and the number of packaging machines sold continues increasing, the profit margin of Packaging Machinery segment will keep improving.

As for the profit margin of Production Machinery segment, OPM improved from 0% for FY7/2017 to 4.1% for FY7/2019. The sales are highly dependent of the CapEx of large users such as Yamazaki baking (2212, JP). The baking company raised the CapEx for reinforcing production lines for 2017-2018. The sales are expected to rise modestly for the next few years after the large CapEx and the OPM is expected to remain at slightly lower than 2%. However, the OPM before goodwill amortization will keep at 5% level.

The SGA to sales has been controlled between 20%-22% for the period from FY7/2013 to FY7/2018, while it dived to 18% due to the increase of large orders. The SGA to sales will be controlled at slightly lower than 20% going forward in line with the sales expansion (Table 9: Income Statement in Appendix).

Maintaining High Free Cash Flow

CapEx is relatively smaller than R&D cost for the company that doesn't produce large number of machines but focuses on development for solving the customer need. For preparing for further increase of the sales, the CapEx is raising for new production bases. from 134 million for FY7/2019 to JPY180 million for FY7/2020. For the next few years, the CapEx will remain slightly lower than this level, but the free cash flow is expected to maintain over JPY300 million for each year (Table 12: Cash Flow Statement in Appendix). The company holds dividend policy of paying dividend in the ratio of dividend to shareholders equity at 2%. In case, the cash dividend will rise from JPY55 per share annually.

Strong Balance Sheet

The inventory and debts have increased since Osa Machinery Co., LTD. was combined. However, the parent company has no debts and the balance sheet maintains healthy supported by well generated free cash flow as mentioned above (Table 13: Balance Sheet in Appendix).

Investment Risks

Engineer shortage (Very likely, Middle-High risk)

For the company intended for research and development, to secure the quality and the number of engineer is a key. The R&D base and the production base are both located in Japan. The decreasing number of new graduates in Japan comes under pressure on the recruiting for all engineering companies. Currently, the company could secure the engineers. However, it will be more difficult to secure them going forward due to the demographic trend. As a result, the recruiting cost is very likely to go higher.

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Product liability (Likely, High risk)
A manufacturer has the duty to make the product as safe as possible. If the manufacturer cannot do so, it has the obligation to adequately warn users and buyers of the dangers that exist. In case defective or dangerous in the machines are the cause of injuries of factory workers or consumers. 70% of the packaging machines ship to food industry and the rest does to health care industry, while all products of the production machinery ship to food industry. The company has never suffered such trouble. In case there is no defect in the machines, appropriate instruction of use is mandatory.

Rapid change in Currency (Less likely, Low risk)
General Packer sells the products in Japanese Yen. Therefore, the sale price in local currency or USD base goes higher if JPY appreciates significantly in a short time period. However, the competitors are Japanese makers of the products in many cases, so the price competitiveness in the currency changes would be the same as them. However, if the customer requests to reduce price, the profitability would fall.

Labor Cost (Very likely, Middle risk)
General Packer employs 48 temporary workers and 179 regular employees. The % of the temporary workers is relatively high compared with the number of regular employees. Under the labor shortage environment in Japan, the increase of labor cost would be one of the operational risks. Unless the number of temporary workers is hired, the production line would fall in trouble and this results in higher cost.

Slow CapEx (Very likely, Middle-High risk)
The risk is concerned with the macro economy. The business is based on the BTO that produces the products after receiving the orders from a customer. Therefore, if CapEx demand of buying new machinery falls, the impact is significant for the company. The customer base is mainly food and defensive sector and not cyclical sector, so the change in the volume of orders would be relatively stable. However, we should keep close eyes on how the customers are affected by the economic change or the impact by coronavirus.

Change in Trend of Packaging (Less likely, High risk)
Japanese packaging machinery makers focus on multi-task small volume packaging in multiple packages that the customers in Japan need. While European packaging machinery makers produce high speed large volume packaging machines. If a number of customers move to large volume packaging in a single-task, Japanese makers including General Packer would lose the business. However, the customers are not all large volume food makers. Mid-size customers

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are likely to choose small-medium volume with multi-task (packages) machines. Lately, an increasingly number of food makers move to outsourcing to packaging vendors. The packaging vendors that package a number of products from a number of food makers are more likely to choose multi-task (packaging) machines. Conversely, the opportunity for the company will be increasing.

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Appendix

Table 9: Income Statement

FY2013/7	JPY million	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit	EPS	P/E
	1Q (act)	960	-690	-71.9%	269	-238	-24.8%	31	3.2%	36	36	-9	0	27		
	2Q (act)	1,379	-1,089	-79.0%	290	-255	-18.5%	35	2.5%	44	44	-15	0	29		
	3Q (act)	813	-637	-78.4%	176	-229	-28.2%	-54	-6.6%	-51	-51	17	0	-34		
	4Q (act)	1,361	-1,010	-74.2%	351	-246	-18.1%	105	7.7%	106	106	-37	0	69		
	Full Year	4,513	-3,426	-75.9%	1,086	-968	-21.4%	117	2.6%	135	135	-44	0	91	234.00	
FY2014/7	JPY million	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit	EPS	P/E
	1Q (act)	984	-710	-72.2%	274	-227	-23.1%	47	4.8%	48	48	-13	0	35		
	2Q (act)	1,005	-751	-74.7%	254	-228	-22.7%	25	2.5%	26	26	-8	0	18		
	3Q (act)	1,396	-1,057	-75.7%	339	-246	-17.6%	93	6.7%	94	94	-31	0	63		
	4Q (act)	1,465	-1,127	-76.9%	337	-274	-18.7%	64	4.4%	66	66	-22	0	44		
	Full Year	4,850	-3,645	-75.2%	1,204	-975	-20.1%	229	4.7%	234	234	-74	0	160	18.03	
FY2015/7	JPY million	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit	EPS	P/E
	1Q (act)	1,020	-719	-70.5%	301	-230	-22.5%	70	6.9%	75	75	-24	0	51		
	2Q (act)	1,138	-816	-71.7%	322	-224	-19.7%	98	8.6%	98	98	-29	0	69		
	3Q (act)	1,970	-1,407	-71.4%	562	-365	-18.5%	198	10.1%	195	195	-77	0	118		
	4Q (act)	1,283	-927	-72.3%	357	-409	-31.9%	-52	-4.1%	-49	-49	35	0	-14		
	Full Year	5,411	-3,869	-71.5%	1,542	-1,228	-22.7%	314	5.8%	319	319	-95	0	224	25.20	
FY2016/7		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
	1Q (act)	1,235	-885	-71.7%	349	-269	-21.8%	80	6.5%	78	78	-22	0	56		
	2Q (act)	910	-641	-70.4%	270	-197	-21.6%	73	8.0%	75	75	-28	0	47		
	3Q (act)	1,404	-1,008	-71.8%	396	-309	-22.0%	86	6.1%	86	86	-19	0	67		
	4Q (act)	1,495	-1,055	-70.6%	440	-348	-23.3%	92	6.2%	93	93	-31	0	62		
	Full Year (act)	5,044	-3,589	-71.2%	1,455	-1,123	-22.3%	331	6.6%	332	332	-100	0	232	130.6	13.0
	Full Year (CE)	5,000						248	5.0%	250				165	92.8	
FY2017/7		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
	1Q (act)	1,701	-1,294	-76.1%	407	-374	-22.0%	33	1.9%	34	34	-34	0	0		
	2Q (act)	2,061	-1,549	-75.2%	512	-345	-16.7%	167	8.1%	169	169	-50	0	119		
	3Q (act)	1,446	-1,063	-73.5%	383	-289	-20.0%	40	2.8%	40	43	-12	0	31		
	4Q (act)	1,443	-1,014	-70.3%	428	-428	-29.7%	53	3.7%	54	54	-15	0	39		
	Full Year	6,651	-4,920	-74.0%	1,731	-1,436	-21.6%	293	4.4%	297	300	-111	0	189	106.3	15.9
	Full Year (CE)	6,400						296	4.6%	300				160	90.2	18.8
FY2018/3		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
	1Q (act)	1,808	-1,441	-79.7%	367	-337	-18.6%	30	1.7%	33	33	-6	0	27		
	2Q (act)	1,355	-1,001	-73.9%	354	-321	-23.7%	33	2.4%	33	33	-13	0	20		
	3Q (act)	1,515	-1,076	-71.0%	438	-350	-23.1%	88	5.8%	88	88	-25	0	63		
	4Q (act)	2,420	-1,772	-73.2%	648	-427	-17.6%	221	9.1%	222	222	-72	0	150		
	Full Year (E)	7,098	-5,290	-74.5%	1,808	-1,435	-20.2%	372	5.2%	376	376	-116	0	260	146.9	11.5
	Full Year (CE)	6,700						240	3.6%	242				166	93.4	
FY2019/7		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
	1Q (act)	2,068	-1,525	-73.7%	543	-338	-16.3%	205	9.9%	206	206	-66	0	140		
	2Q (act)	1,780	-1,291	-72.5%	489	-333	-18.7%	156	8.8%	157	157	-45	0	112		
	3Q (act)	1,743	-1,208	-69.3%	535	-352	-20.2%	183	10.5%	184	184	-60	0	124		
	4Q (act)	2,736	-2,056	-75.1%	679	-482	-17.6%	197	7.2%	198	197	-49	0	148		
	Full Year	8,327	-6,080	-73.0%	2,247	-1,505	-18.1%	741	8.9%	745	744	-220	0	524	286.9	5.9
	Full Year (CE)	8,300						596	7.2%	600				420	237.8	
FY2020/7 (E)		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
	1Q (act)	2,396	-1,735	-72.4%	661	-384	-16.0%	277	11.6%	276	276	-87	0	189		
	2Q (act)	2,637	-2,019	-76.6%	618	-393	-14.9%	225	8.5%	226	226	-64	0	162		
	3Q (E)	1,901	-1,362	-71.6%	539	-418	-22.0%	121	6.4%	121	122	-37	0	85		
	4Q (E)	2,014	-1,435	-71.3%	579	-463	-23.0%	115	5.7%	116	116	-34	0	82		
	Full Year (E)	8,948	-6,551	-73.2%	2,397	-1,658	-18.5%	739	8.3%	739	740	-221	0	518	293.5	5.8
	Full Year (CE)	8,900						700	7.9%	700				490	277.4	
FY2021/7 (E)		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
	1Q (E)	2,284	-1,663	-72.8%	620	-457	-20.0%	163	7.2%	164	164	-49	0	115		
	2Q (E)	1,922	-1,423	-74.0%	499	-384	-20.0%	115	6.0%	115	115	-34	0	81		
	3Q (E)	2,232	-1,655	-74.1%	577	-402	-18.0%	176	7.9%	176	176	-53	0	123		
	4Q (E)	2,347	-1,696	-72.3%	651	-469	-20.0%	181	7.7%	182	182	-54	0	127		
	Full Year (E)	8,784	-6,437	-73.3%	2,347	-1,712	-19.5%	635	7.2%	636	637	-191	0	447	252.9	6.7
	Full Year (CE)							10,000								
FY2022/7 (E)		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
	1Q (E)	2,668	-1,916	-71.8%	751	-534	-20.0%	218	8.2%	218	218	-65	0	153		
	2Q (E)	2,261	-1,652	-73.1%	609	-452	-20.0%	157	6.9%	157	157	-47	0	110		
	3Q (E)	2,285	-1,672	-73.2%	613	-411	-18.0%	202	8.8%	202	202	-60	0	142		
	4Q (E)	2,401	-1,713	-71.4%	688	-480	-20.0%	207	8.6%	208	208	-62	0	146		
	Full Year (E)	9,615	-6,954	-72.3%	2,661	-1,877	-19.5%	784	8.1%	785	786	-235	0	551	311.8	5.4
	Full Year (CE)															
FY2023/7 (E)		Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	RP	EBT	Tax	Minority	Net Profit		
	1Q (E)	2,841	-2,038	-71.7%	803	-568	-20.0%	234	8.3%	235	235	-70	0	165		
	2Q (E)	2,430	-1,766	-72.7%	664	-486	-20.0%	178	7.3%	178	178	-53	0	125		
	3Q (E)	2,496	-1,802	-72.2%	695	-449	-18.0%	246	9.8%	246	246	-74	0	172		
	4Q (E)	2,613	-1,838	-70.3%	775	-523	-20.0%	253	9.7%	253	253	-76	0	177		
	Full Year (E)	10,381	-7,444	-71.7%	2,937	-2,026	-19.5%	910	8.8%	911	912	-273	0	640	362.1	4.7
	Full Year (CE)															

(Source) General Packer, METRICAL

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Table 10: Income Statement by Segment

By Segment (JPY million)	Packaging Machinery Sales	YoY	OP	Production Machinery Sales	YoY	OP	Other Sales	YoY	OP	Total Sales	YoY	OP
FY2013/7												
1Q (act)	960		31							960		31
2Q (act)	1,379		35							1,379		35
3Q (act)	813		-54							813		-54
4Q (act)	1,361		105							1,361		105
Full Year (act)	4,513		117	0		0	0		0	4,513		117
FY2014/7												
1Q (act)	984	2.5%	47							984		47
2Q (act)	1,005	-27.1%	25							1,005		25
3Q (act)	1,396	71.7%	93							1,396		93
4Q (act)	1,465	7.6%	64							1,465		64
Full Year (act)	4,850	7.5%	229	0	#DIV/0!	0	0	#DIV/0!	0	4,850		229
FY2015/7												
1Q (act)	1,020	3.7%	70							1,020		70
2Q (act)	1,138	13.2%	98							1,138		98
3Q (act)	1,970	41.1%	198							1,970		198
4Q (act)	1,283	-12.4%	-52							1,283		-52
Full Year (act)	5,411	11.6%	314	0	#DIV/0!	0	0	#DIV/0!	0	5,411		314
By Segment (JPY million)	Packaging Machinery Sales		OP	Production Machinery Sales		OP	Other Sales		OP	Total Sales		OP
FY2016/7												
1Q (act)	1,235	21.1%	80							1,235		80
2Q (act)	910	-20.0%	73							910		73
3Q (act)	1,404	-28.7%	86							1,404		86
4Q (act)	1,495	16.5%	92							1,495		92
Full Year (act)	5,044	-6.8%	331	0	#DIV/0!	0	0	#DIV/0!	0	5,044		331
Full Year (CE)												
FY2017/7												
1Q (act)	1,244	0.7%	53	457	#DIV/0!	55	0	#DIV/0!	-75	1,701		33
2Q (act)	1,816	99.6%	184	244	#DIV/0!	-17	0	#DIV/0!	0	2,060		167
3Q (act)	1,371	-2.4%	73	76	#DIV/0!	-32	0	#DIV/0!	0	1,447		41
4Q (act)	1,293	-13.5%	60	150	#DIV/0!	-6	0	#DIV/0!	0	1,443		54
Full Year	5,724	13.5%	370	927	#DIV/0!	0	0	#DIV/0!	-75	6,651	31.9%	295
Full Year (CE)	5,500		352	900		19	0		-75	6,400		296
FY2018/7												
1Q (act)	1,611	-11.3%	28	196	-19.7%	2	0	#DIV/0!	0	1,807		30
2Q (act)	1,123	-38.2%	31	232	-4.9%	1	0	#DIV/0!	0	1,355		32
3Q (act)	1,449	5.7%	126	66	-13.2%	-37	0	#DIV/0!	0	1,515		89
4Q (act)	1,980	53.1%	169	440	193.3%	50	0	#DIV/0!	0	2,420		219
Full Year (E)	6,163	7.7%	354	934	0.8%	16	0	#DIV/0!	0	7,097	6.7%	370
Full Year (CE)	5,900		235	800		5	0		0	6,700		240
FY2019/7												
1Q (act)	1,360		132	708		73	0		0	2,068		205
2Q (act)	1,657	47.6%	178	123	-47.0%	-23	0	#DIV/0!	0	1,780		155
3Q (act)	1,601	10.5%	176	142	115.2%	7	0	#DIV/0!	0	1,743		183
4Q (act)	2,311	16.7%	197	425	-3.4%	0	0	#DIV/0!	0	2,736		197
Full Year	6,929	12.4%	683	1,398	49.7%	57	0	#DIV/0!	0	8,327	17.3%	740
Full Year	7,100		570	1,200		25	0		0	8,300		595
FY2020/7 (E)												
1Q (act)	1,847	35.8%	211	548	-22.6%	65	0	#DIV/0!	0	2,395		276
2Q (act)	2,514	51.7%	260	124	0.8%	-34	0	#DIV/0!	0	2,638		226
3Q (E)	1,802	12.5%	126	99	-30.0%	-5	0	15.0%	0	1,901		121
4Q (E)	1,802	-22.0%	126	213	-50.0%	-11	0	15.0%	0	2,014		115
Full Year (E)	7,964	14.9%	723	984	-29.6%	15	0	#DIV/0!	0	8,948	7.5%	739
Full Year (CE)	7,900		674	1,000		25	0		0	8,900		699
FY2021/7 (E)												
1Q (E)	1,763	-4.5%	132	521	-5.0%	31	0	7.0%	0	2,284		163
2Q (E)	1,804	-28.2%	144	118	-5.0%	-29	0	7.0%	0	1,922		115
3Q (E)	2,132	18.3%	171	100	1.0%	5	0	10.0%	0	2,232		176
4Q (E)	2,132	18.3%	171	215	1.0%	11	0	7.0%	0	2,347		181
Full Year (E)	7,831	-1.7%	618	953	-3.1%	18	0	#DIV/0!	0	8,784	-1.8%	635
Full Year (CE)												
FY2022/7 (E)												
1Q (E)	2,142	21.5%	186	526	1.0%	32	0	7.0%	0	2,668		218
2Q (E)	2,142	18.7%	186	119	1.0%	-30	0	8.0%	0	2,261		157
3Q (E)	2,184	2.4%	197	101	1.0%	5	0	8.0%	0	2,285		202
4Q (E)	2,184	2.4%	197	217	1.0%	11	0	7.0%	0	2,401		207
Full Year (E)	8,652	10.5%	766	963	1.0%	18	0	#DIV/0!	0	9,615	9.5%	784
Full Year (CE)												
FY2023/7 (E)												
1Q (E)	2,310	7.8%	208	531	1.0%	27	0	6.0%		2,841		234
2Q (E)	2,310	7.8%	208	120	1.0%	-30	0	7.0%		2,430		178
3Q (E)	2,394	9.6%	239	102	1.0%	6	0	6.0%		2,496		246
4Q (E)	2,394	9.6%	239	219	1.0%	13	0	7.0%		2,613		253
Full Year (E)	9,408	8.7%	895	973	1.0%	16	0	#DIV/0!	0	10,381	8.0%	910
Full Year (CE)												

(Source) General Packer, METRICAL

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Table 13: Balance Sheet

	2013/7	2014/7	2015/7	2016/7	2017/7	2018/7	2019/7	2020/7 (E)	2021/7 (E)	2022/7 (E)	2023/7 (E)
Assets											
Current Assets											
Cash and Cash Equivalents	1,911	2,086	2,142	2,179	1,408	1,525	2,035	2,266	2,656	2,913	3,277
Short-Term Investments	-	-	-	-	-	-	-	-	-	-	-
Notes and Accounts	992	1,487	1,006	1,558	1,437	1,595	1,797	1,931	1,896	2,075	2,240
Allowance for Doubtful	-	-	-	-	-	-	-	-	-	-	-
Inventories	673	632	747	928	1,053	2,136	2,553	2,743	2,693	2,948	3,183
Deferred Income Taxes	49	50	85	41	40	49	-	-	-	-	-
Other Current Assets	132	111	175	170	259	302	369	397	389	426	460
Total Current Assets	3,757	4,366	4,155	4,876	4,197	5,607	6,754	7,337	7,634	8,362	9,160
Property, Plant and											
Land	298	298	298	298	646	646	646	646	646	646	646
Builidings	1,161	1,151	1,164	1,164	435	411	456	618	771	915	1,059
Machinery and Equipment	124	133	135	140	21	21	51	69	86	102	118
Construction in Progress	-	-	-	-	-	-	-	-	-	-	-
Total	1,583	1,582	1,597	1,602	1,102	1,078	1,153	1,333	1,503	1,663	1,823
Accumulated Depreciation	(776)	(789)	(801)	(843)	-	-	-	-	-	-	1
Net Property, Plant and	807	793	796	759	1,102	1,078	1,153	1,333	1,503	1,663	1,824
Software & Other	8	34	54	45	54	42	40	40	40	40	40
Goodwill	-	-	-	-	1,420	1,346	1,272	1,198	1,124	1,050	976
	8	34	54	45	1,474	1,388	1,312	1,238	1,164	1,090	1,016
Other Assets											
Investments in and	-	-	-	-	-	-	-	-	-	-	-
Investment Securities	39	46	56	44	63	66	57	57	57	57	57
Software & Others	-	-	-	-	-	-	-	-	-	-	-
Deferred Income Taxes	31	29	28	30	-	-	97	97	97	97	97
Other	18	21	17	69	47	57	27	27	27	27	27
Total Other Assets	88	96	101	143	110	123	181	181	181	181	181
Total	4,660	5,289	5,106	5,823	6,883	8,196	9,400	10,089	10,482	11,296	12,181
Liabilities and Stockholders'											
Current Liabilities											
Bank Loans	-	-	-	-	-	-	-	-	-	-	-
Notes and Accounts	1,260	1,640	1,130	1,685	1,172	1,937	2,124	2,282	2,241	2,453	2,648
Accrued Expenses	56	79	66	110	-	-	-	-	-	-	-
Income Taxes	79	58	151	17	79	99	172	185	181	199	214
Other Current Liabilities	307	450	529	627	951	1,426	2,061	2,215	2,174	2,380	2,569
Current Portion of Long-	-	-	-	-	111	111	111	111	111	111	111
Total Current Liabilities	1,702	2,227	1,876	2,439	2,313	3,573	4,468	4,793	4,707	5,142	5,543
Long-Term Debt	-	-	-	-	746	634	522	522	522	522	522
Deferred Income Taxes	-	-	-	-	323	306	290	290	290	290	290
Termination and	92	94	96	103	96	45	56	56	56	56	56
Other Long-Term Liabilities	-	-	-	-	18	77	82	82	82	82	82
	-	-	-	-	857	745	633	633	633	633	633
Total Liabilities	1,794	2,321	1,972	2,542	3,496	4,635	5,418	5,743	5,657	6,092	6,493
Stockholders' Equity											
Common Stock	251	251	251	251	251	251	251	251	251	251	251
Additional Paid-in Capital	282	282	282	282	282	306	306	306	306	306	306
Legal Reserve	2,344	2,442	2,600	2,756	2,858	3,048	3,484	421	350	454	542
Retained Earnings	-	-	-	1	1	-	1	1	1	1	1
Treasury Stock	(19)	(19)	(20)	(20)	(20)	(67)	(67)	(67)	(67)	(67)	(67)
Total Stockholders' Equity	2,858	2,956	3,113	3,270	3,372	3,538	3,975	912	841	945	1,033
Accumulated other											
Comprehensive Income	8	12	19	12	16	18	8	3,434	3,984	4,260	4,655
Warrant	0	0	0	0	0	0	0	0	0	0	0
Minority Interests in	-	-	-	-	-	-	-	-	-	-	-
Total Stockholders' Equity	2,866	2,968	3,132	3,282	3,388	3,556	3,983	4,346	4,824	5,204	5,688
Total	4,660	5,289	5,104	5,824	6,884	8,191	9,401	10,089	10,482	11,296	12,181

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Table 12: Cash Flow Statement

Cash Flow Analysis:	July-13	July-14	July-15	July-16	July-17	July-18	July-19	July-20(E)	July-21(E)	July-22(E)	July-23(E)
Net Income	91	160	224	232	189	260	524	518	447	551	640
Dep.	40	42	43	54	120	96	98	120	130	150	150
Amortization	0	0	0	0	33	36	36	36	36	36	36
Other non-cash charge	70	143	52	90	-52	444	607	0	0	0	0
Changes in WC	273	-76	-144	-176	-343	-477	-430	-166	44	-222	-205
Op. Cash Flow	**474**	**269**	**175**	**200**	**-53**	**359**	**835**	**508**	**656**	**515**	**621**
Per share	**JPY 53.42**	**JPY 30.27**	**JPY 19.69**	**JPY 112.52**	**(JPY 29.82)**	**JPY 202.44**	**JPY 472.79**	**JPY 287.87**	**JPY 371.63**	**JPY 291.37**	**JPY 351.54**
Capex	-27	-28	-57	-84	29	-100	-120	-180	-170	-160	-160
Free Cash Flow	**447**	**241**	**118**	**116**	**-24**	**259**	**715**	**328**	**486**	**355**	**461**
Per share	**JPY 50.38**	**JPY 27.12**	**JPY 13.28**	**JPY 65.26**	**(JPY 13.50)**	**JPY 146.05**	**JPY 404.84**	**JPY 185.96**	**JPY 275.38**	**JPY 200.79**	**JPY 260.95**
Beginning Cash	1,423	1,771	1,985	1,877	1,978	1,307	1,525	2,035	2,266	2,656	2,913
Net cash used	348	214	-108	101	-671	218	510	231	389	258	364
Ending cash	1,771	1,985	1,877	1,978	1,307	1,525	2,035	2,266	2,656	2,913	3,277

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