

Ben Graham's Net-nets

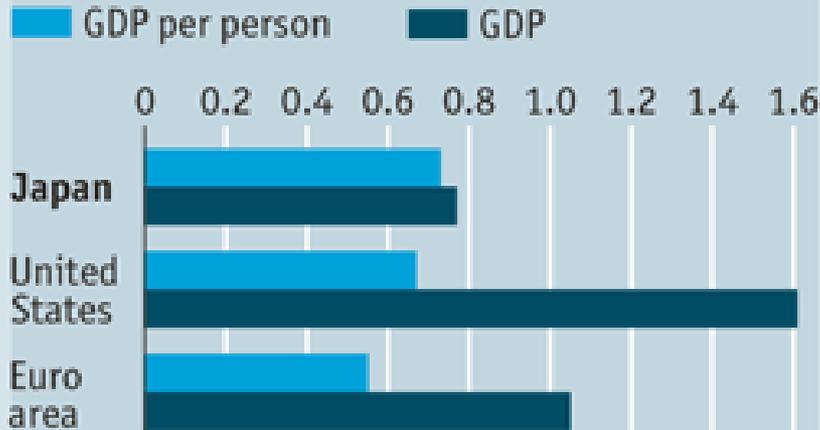
...

Alive, well & working

in 2012

And the laggard is...

Annual average % increase, 2001-10



Unemployment rates, %



Sources: IMF; Eurostat; Thomson Reuters

Japan: No lost decades

- ❖ Life expectancy increased by 4 years in last 2 decades.
- ❖ Japan's unemployment rate is 4%.
- ❖ \$200 billion current account surplus in 2010. Up 3x since 1989. US has a \$500 billion deficit versus \$100 billion in 1989.
- ❖ Over the last two decades per capita electricity consumption has grown at twice the rate of America.
- ❖ Japanese industry/manufacturing has moved Up the food-chain into producer goods and high-end engineered products. Growth inspite of the rise of China.
- ❖ 38 of top 50 cities with the fastest internet access are in Japan.
- ❖ 81 high-rises completed in Tokyo since 1990 vs. 64 in NYC and 8 in Los Angeles.
- ❖ Obvious affluence in the streets.



Tokyo's Haneda Airport: New Terminal Building

Japan: No lost decades



- ❖ **\$3.3 trillion in Net Foreign Assets.**
- ❖ **Large government debt, but ... owed to themselves. Taxes are just 17% of GDP. Could easily be raised. Consumption taxes could be raised.**
- ❖ **Negative population growth exists in virtually every developed country except the US.**
- ❖ **Japanese capital leverages global workers. The internet seamlessly allows workers to transcend boundaries.**
- ❖ **High quality culture. Very high integrity. Great ability to deal gracefully with adversity.**

Deflation: What Deflation?

Revenues (Millions of US\$)

	2006	2007	2008	2009	2010	2011
Asahi Broadcasting	\$645	\$836	\$811	\$814	\$926	\$1,001
Denkyosha	\$278	\$286	\$282	\$386	\$478	\$554
Hibiya Engineering	\$569	\$614	\$608	\$667	\$704	\$782

Hibiya Engineering (TSE:1982)

- ❖ **Market Cap: \$342 million**
- ❖ **Current Assets + LT Bonds – All Liabilities = \$651 million**
 - ❖ **Nearly 2x the market cap!**
- ❖ **Generating about \$30 million/year in FCF.**
- ❖ **Buying back shares: Spent about \$40 million to retire 13% of shares in last five years.**
- ❖ **3.5% dividend yield - \$12 million/year.**

- ❖ **Same stock price as 1992 – 20 Years!**
- ❖ **38% top-line growth in last 5 years – incl. great recession.**

Ryoyo Electro (TSE:8068)

- ❖ **Market Cap: \$285 million**
- ❖ **Current Assets + LT Bonds – All Liabilities = \$806 million**
 - ❖ **Nearly 3x the market cap!**
- ❖ **Generating about \$10 million/year in FCF.**
- ❖ **Buying back shares: Spent about \$20 million to retire 7% of shares in last two years.**
- ❖ **3.3% dividend yield - \$9.4 million/year.**

- ❖ **1/3 of the stock price in 1994 – 18 years!**
- ❖ **Ben would love this!**

Thank You.

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