

Kobe Steel, Ltd.



Kobe Steel, Ltd is a supplier of iron, steel, aluminum and copper products including core products. The Company also operates other businesses such as welding consumables, urban infrastructure, plant engineering, and industrial and construction machinery. Kobe Steel has operating offices in the US, Europe, and Asia².

The company is currently involved in a scandal regarding falsification of product data ranging from copper and aluminum steel wires, machinery parts and heavy-plated metals that are used for cars, planes and trains. This issue dropped the company's credit-default to 226 basis points in October 27, after just reaching 385 in October 12³. The price to earnings ratio of Kobe Steel, Ltd became lower than the median of its peer group and the average of its industry sector. The company valuation is consistent with the market valuation of its peer group but greatly below the market valuation of its sector.

For the purpose of this competition, which is to gain the highest stock return in 6 months, we chose Kobe Steel because it is going through a business scandal and we expect Kobe Steel to be able to fix it and its stock price to be recovering in the next few months.

¹ Infinancials 2017, accessed on October 28, 2017.
² Kobe Steel Group (2017) Website, Corporate Profile.
³ Oh, T & Nakamichi T. 2017, Oct 30. Kobe Steel Debt Risk Recedes. Bloomberg 2017
⁴ Banjo, S. 2017, Nov 6. Kobe Steel's Faulty Waiting Game. Bloomberg 2017..

Market Overview



5406 JP EQUITY			
Price:	1,086	Market Cap (¥bn):	403
Consensus Estimate:	3.18	Shares O/S (mn):	364
Foreign Ownership:	22%	Enterprise Value (¥mn):	1.09
Sector:	Basic Materials	52Wk Price Range:	53.62
Expected Sales Growth:	2.6%	3M Avg Vol. (¥mn):	30.50

Source: Bloomberg and Kobe Steel Group 2017



Source: Bloomberg

	↓P/E	Price	P/S	Div Yield	P/B	D/E	Sales FY17	yoy
Kobe Steel Ltd	32.9x	1,107	0.2x	1.86	0.6x	118.0x	1,696	-7%
Kyoei Steel Ltd	30.6x	1,910	0.5x	1.57	0.6x	28.2x	146	-9%
Toyo Kohan Co	29.6x	480	0.4x	2.08	0.5x	38.2x	121	0%
Osaka Steel Co	23.7x	2,477	1.4x	1.61	0.7x	6.5x	62	14%
Yamato Kogyo	19.5x	3,200	1.4x	1.59	0.7x	0.0x	142	-6%
Mitsub Steel Mfg	14.2x	2,735	0.4x	2.19	0.7x	50.6x	104	-3%
Average	23.5x		0.8x		0.7x	24.7x		

Source: Bloomberg

Note: 1. Sales in Thousands JPY; 2. Price indicated is as of November 9, 2017

Komatsu Ltd.



Komatsu, Ltd. is in the business of manufacture and sale of construction and mining equipment, utilities, forest machines and industrial machinery. Komatsu Group consists of Komatsu Ltd., 143 consolidated subsidiaries, and 38 affiliated companies. Komatsu's largest sales territories are North America, Japan, Asia, and Latin America.¹ In April 2017, Komatsu Mining Corp. became the leading manufacturer of mining equipment in the US after acquiring Joy Global Inc.²

The company's profit is expected to edge higher due to a weaker yen and China's robust demand for equipment needed for its ongoing domestic and overseas infrastructure projects.³ As metal demand prospects increases⁴ due to the anticipated possibility of a fiscal stimulus in the US⁵ and recovery of Asia's mining industry, the company expects global mining-equipment demand to jump 10-20%. Currently, construction and mining equipment sales generate 87% of Komatsu's revenue.⁶

For the purpose of this competition, which is to gain the highest stock return in 6 months, we chose Komatsu because this company is export-driven business and will be among the first and most benefited from the synchronized global recovery.

¹ Komatsu Ltd. (2017) Website, Corporate Profile.

² Komatsu Ltd. (2017) Website, Annual Report.

³ Lu, N. & Kim, A. Komatsu Research Primer. Bloomberg 2017.

⁴ Joyce, S. 2017, Nov 9. Wisconsin's 'Prove it First' Mining Ban Headed for Repeal. Bloomberg 2017.

⁵ World Economic Outlook April 2017. International Monetary Fund 2017.

⁶ Lu, N. & Kim, A. October 2017 Valuations. Bloomberg 2017.

Market Overview

6301 JP EQUITY

Price:	3,849	Market Cap (¥bn):	3,641
Consensus Estimate:	4.30	Shares O/S (mn):	972
Foreign Ownership:	46%	Enterprise Value (¥mn):	3.75
Sector:	Industrial	52Wk Price Range:	86.62
Expected Sales Growth:	2.6%	3M Avg Vol. (¥mn):	3.92

Source: Bloomberg and Kobe Steel Group 2017



Source: Bloomberg

	↓P/E	Price	P/S	Div Yield	P/B	D/E	Sales FY17	yoy
Komatsu Ltd	19.9x	3,746	1.6x	1.76	2.1x	24.8x	1,803	-3%
Hitachi Const Ma	26.4x	3,890	1.0x	1.16	1.9x	55.2x	754	-1%
Tadano	21.1x	1,809	1.3x	1.46	1.6x	26.1x	180	-14%
Takeuchi Mfg Co	14.3x	2,433	1.3x	1.29	1.8x	0.0x	83	-3%
Average	20.4x		1.3x		1.9x	26.5x		

Source: Bloomberg

Note: 1. Sales in Thousands JPY; 2. Price indicated is as of November 9, 2017

Mitsubishi UFJ Financial Group Inc.



Mitsubishi UFJ Financial Group Inc. (MUFG) is the holding company of the largest banking group in Japan, having formed from the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings. Products and services include retail and corporate banking, asset management, brokerage, and leasing.

The company's medium-term business plan describes their intent to enhance growth and performance through a number of efforts. Domestically MUFG intends to enhance consumer products and services as well as provide increased support to small and medium enterprises (SME) in order to contribute to growth in Japan. The company will continue to leverage on its operations throughout Asia and North America to find new opportunities for growth. MUFG has steady revenue and earnings performance and ratios place it in the middle of the pack of comparables. Moreover, good performance can be expected as supported by high consensus estimate. As the growth of the world economy is projected to strengthen to 2.9% in 2018 (World Bank Global Outlook) we assess that MUFG is well positioned to benefit from this.

For the purpose of this competition, which is to gain the highest stock return in 6 months, we chose bank stocks because banks will among the firsts to reap benefits from synchronized global recovery and MUFJ has the highest beta among banks (4).

Sources:

1. World Bank Global Economic Prospects Global Outlook <http://www.worldbank.org/en/publication/global-economic-prospects>
2. Mitsubishi UFJ Financial Group, Inc. Medium-term Business Plan <http://www.mufig.jp/english/profile/strategy/>
3. Mitsubishi UFJ Financial Group, Inc. Corporate Website Mitsubishi <http://www.mufig.jp/english/profile/>
4. Bloomberg Terminal

Market Overview



8306 JP EQUITY

Price:	757	Market Cap (¥bn):	10,473
Consensus Estimate:	4.11	Shares O/S (mn):	14,028
Foreign Ownership:	36%	Enterprise Value (¥mn):	N/A
Sector:	Financial	52Wk Price Range:	73.55
Expected Sales Growth:	2.6%	3M Avg Vol. (¥mn):	69.26

Source: Bloomberg and Kobe Steel Group 2017



Source: Bloomberg

	↓P/E	Price	P/S	Div Yield	P/B	D/E	Sales FY17	yoy
MUFJ	9.8x	747	1.8x	2.5x	0.6x	449.3x	5,583	2%
Shizuoka Bank	16.1x	1,059	3.1x	1.9x	0.6x	54.8x	206	-3%
Japan Post Bank	16.0x	1,422	2.8x	3.5x	0.5x	125.1x	1,883	-4%
Sm Trust Hd	12.8x	4,334	1.7x	3.0x	0.7x	260.1x	932	-4%
Suruga Bank Ltd	12.6x	2,423	3.9x	0.9x	1.6x	0.5x	137	3%
Aozora Bank Ltd	11.6x	4,445	4.2x	4.2x	1.2x	266.7x	120	7%
Average	13.8x		3.2x		0.9x	141.4x		

Source: Bloomberg

Note: 1. Sales in Thousands JPY; 2. Price indicated is as of November 9, 2017

Toshiba Japan

TOSHIBA

Toshiba Corporation provides diversified products and services which include information technology and communications, equipment and systems, electronic components and materials, power systems, industrial and social infrastructure systems, consumer electronics, household appliances, medical equipment, office equipment, as well as lighting and logistics. The bigger sales territories of Toshiba are Japan, Asia, and North America.

The downfall of stock started in September 2015 when Toshiba accepted that they overstated their profit by \$2Bn in last 7 years, and this was followed by change in top management. The company is since then reporting losses due to its nuclear plant business. However, its electronic chip business is still the second largest in the world after Samsung. The company is facing risks of getting delisted as the liabilities are more than assets for past 2 years and would get delisted if this is not reversed by Mar 2018. Due to these, the company valuation is substantially lower than the market valuation for its peer group. Also, the price-to-earnings ratio of the company is at the lower end versus its comparables. Nevertheless, there is a good consensus among analysts on the outlook of the company. Toshiba is looking for third party investment in its memory card business to save itself from getting delisted.

For the purpose of this competition, which is to gain the highest stock return in 6 months, we chose Toshiba as we believe the sales of its semiconductor business will go through and its stock price will rise in the next few months.

Market Overview

6502 JP EQUITY

Price:	313	Market Cap (¥bn):	1,259
Consensus Estimate:	3.83	Shares O/S (mn):	4,238
Foreign Ownership:	38%	Enterprise Value (¥mn):	2.00
Sector:	Industrial	52Wk Price Range:	40.04
Expected Sales Growth:	2.6%	3M Avg Vol. (¥mn):	26.99

Source: Bloomberg and Kobe Steel Group 2017



Source: Bloomberg

	↓P/E	Price	P/S	Div Yield	P/B	D/E	Sales FY17	yoy
Toshiba Corp	14.0x	297	1.7x	3.0x	0.7x	260.1	4,871	-6%
Hitachi Ltd	14.9x	883	0.0x	0.0x	0.0x	0.0x	9,162	-9%
Miura Co Ltd	32.5x	2,865	0.0x	0.0x	0.0x	0.0x	103	4%
Toshiba Machine	29.7x	765	0.5x	1.7x	1.4x	28.7x	111	-5%
Shima Seiki Mfg	21.0x	7,310	2.9x	0.9x	2.9x	0.0x	62	26%
Nissin Electric	9.4x	1,435	0.9x	1.7x	1.2x	19.4x	127	12%
Average	21.5x		0.8x		1.1x	9.6x		

Source: Bloomberg

Note: 1. Sales in Thousands JPY; 2. Price indicated is as of November 9, 2017