Investor Hub | 投資研究会

Today's session page

The five annual reports, the votes and feedback

unoriginal.jp/club/sessions/2026-11-03

Session 3

Tuesday, November 3, 2026

Financial Statement Analysis

Today

1	Introduction	The 14 you named, feedback from Session 2, then six terms useful today
2	Match the numbers	Which column is which company?
3	Five questions an owner asks	Buffett and Munger's lens, and the growth investor's
4	The chip chain	NVIDIA, TSMC, Intel
5	Find free cash flow	Why it matters, then open a real annual report
6	Two examples in Japan	MUJI vs JR East
7	Cash	Five years of it, and what management did with it
8	Own one for ten years	Pick one of the five and argue it: with your neighbor, then the room
9	At what price?	What the market pays for each, and whether past forecasts came true
10	Close	Club activity vote, reading list, feedback, next session

The 14 companies you named last session

AI AND DATA CENTERS

Upstream: the factories and the design shops

TSMC 2330 TT
chip manufacturing (foundry)

Samsung Electronics 005930 KS
chips, phones, displays

Global Unichip 3443 TT
chip design services

The chips

NVIDIA NVDA US
AI and graphics chips

Intel INTC US
processors; its own factories

Around the data center

Bloom Energy BE US
fuel cells that power data centers

SpaceX SPCX US
rockets, satellites,
data centers and AI models

JAPAN: COMPANIES YOU USE EVERY WEEK

Saizeriya 7581 JT
restaurants

JR East 9020 JT
railway, stations

Ryohin Keikaku (MUJI) 7453 JT
retail

VALUE STOCKS: THE PRICE FELL

Rheinmetall RHM GY
defense

ALSO NAMED

Accor AC FP
hotels

Adobe ADBE US
software

Alibaba 9988 HK
e-commerce and cloud

Source: Session 2 survey, round 1 (17 answers), on the club's session page for 2026-10-28

What the club's account can buy

Market	Of the 14 you named
United States	NVIDIA, Intel, Adobe, Bloom Energy, SpaceX, TSMC, Alibaba
Hong Kong	Alibaba
South Korea	Samsung Electronics
Japan	MUJI, JR East, Saizeriya
Southeast Asia	none (Singapore, Thailand, Malaysia, Vietnam, Indonesia)

BUYABLE

11 of 14

NOT AT SBI

Accor (Paris), Rheinmetall (Frankfurt), Global Unichip (Taiwan): no European or Taiwan market, and no US shares traded over the counter (outside the main exchanges).

TODAY

50% cash, 50% global index fund, until a member brings a one-page pitch.

Source: SBI Securities' public lists of markets and stocks, read 2026-11-01

The club's first purchase: a global index fund

> Session 2 decided 50% cash, 50% a global index fund.
> **Ordered Mon 11-02: about ¥3.0M of eMAXIS Slim All Country (800,000 units)** in the club's taxable account at SBI.
> No commission or purchase fee. Priced at Thursday 11-05's NAV, so the final cost is known then; settles Wed 11-11.

Three on SBI track the same index, MSCI All Country World[1]

Fund	Fee, incl. tax	Cost paid	Size	Trades
eMAXIS Slim mutual fund, MUFG	0.058%	0.07%	¥13.9tn	at NAV, no spread
2559 MAXIS ETF, MUFG	0.086%	0.17%	¥136bn	intraday, spread
537A NZAM ETF, listed Mar 2026	0.086%	none yet	¥0.7bn	intraday, thin

Same holdings, so cost and liquidity decide

- eMAXIS and 2559 hold the same 2,359 stocks, through the same MUFG mother funds (holdings on the next slide)

Why the fund is better here

- The fund's fee is 33% lower: 0.058% a year against the ETFs' 0.086%, both including tax (SBI lists ETF fees before tax)
- On ¥1,000,000 a year: fees about ¥580 in the fund against ¥860 in either ETF; with every cost the fund paid, ¥700 against ¥1,700 in the 2559 ETF
- Scale: ¥13.9tn against ¥136bn, about 100 times, run by the same MUFG team through the same holdings

Sources: [1] Fund documents, read 2026-11-02: eMAXIS Slim All Country prospectus, annual report to Apr 2026 and Sep 2026 monthly (am.mufg.jp); MAXIS 2559 prospectus, expense ratio to Jun 2026 and Sep 2026 monthly (maxis.am.mufg.jp); NZAM 537A prospectus and JPX listing summary; SBI Securities fee pages

What the fund holds: eMAXIS Slim All Country

Top 10 countries

USA	63.4%
Japan	5.2%
Taiwan	3.3%
UK	3.0%
Canada	2.9%
South Korea	2.5%
France	1.9%
Switzerland	1.9%
Germany	1.8%
Australia	1.3%

Developed markets 87.9%, Japan included; emerging 12.0%

Top 10 holdings, 24.6% of the fund

NVIDIA	USA	5.0%
Apple	USA	4.6%
Microsoft	USA	3.4%
Amazon	USA	2.3%
TSMC	Taiwan	1.8%
Alphabet A	USA	1.7%
Alphabet C	USA	1.7%
Meta	USA	1.5%
Broadcom	USA	1.5%
Micron	USA	1.1%

2,359 stocks in all

Return against its index, after fees[1]

	Fund	Index	Difference
1 year	24.3%	24.0%	+0.3 pts
3 years	90.7%	90.0%	+0.7 pts
Since launch, Oct 2018	277.9%	275.8%	+2.1 pts

The difference is the **tracking difference**: how far the fund's return, after its fees, ended from the index it copies (MSCI All Country World, dividends included, in yen). Close to zero is what an index fund is for.

Net assets	¥13.9tn
Cost paid, year to Apr 2026	0.07%
Price per 10,000 units	¥37,791

Sources: [1] eMAXIS Slim All Country monthly report, Sep 30, 2026, pp. 2-3, and annual report to Apr 27, 2026 (MUFG Asset Management, am.mufg.jp)

Incorporating feedback

What we said after Session 2	What changes from this session
The finance words got in the way	Words of the day first, each with a plain definition; a glossary to follow
Not enough interaction	More talking with neighbors, fewer phone rounds; one hour on the topic, then open time for members
Too many quiz questions	One match-the-numbers round, on the whiteboard
Slides too crowded	Formulas on their own slides at the back, one click from each chart; fewer words per slide, round numbers

Words of the day

Hear a word or term you do not know today?
Type it in the Discord channel #what-does-it-mean.

Gross profit margin (GPM)	Sales (also called revenue) minus cost of goods sold (the direct cost of making or buying what was sold), as a percent of sales. It shows pricing power and the cost of production, before overhead expenses such as research, marketing and administration.
Capital expenditure (capex)	Cash spent to buy or build long-lived assets: factories, equipment, and stores. The cash outflow first reflects in the cash flow statement; it reaches the income statement only slowly, as depreciation.
Free cash flow (FCF)	Operating cash flow minus capital expenditure: the cash left after the business has paid to keep and grow its assets, free to repay debt or return to owners.
Return on invested capital (ROIC)	After-tax operating profit divided by the capital tied up in the business (equity plus debt, minus cash). Growth adds value only when ROIC is above the cost of capital (the return investors could earn elsewhere at similar risk).
Economic moat	A lasting advantage, such as a brand, scale, switching costs or a network, that stops rivals from competing away a high return on capital.
EBITDA	Earnings before interest, taxes, depreciation and amortization: operating profit before depreciation and amortization. Close to cash profit, but before the capex a business must keep spending.

Part 2 of 10

Match the numbers

Which column is which company?

1 Introduction
2 **Match the numbers**
3 Five questions an owner asks
4 The chip chain
5 Find free cash flow
6 Two examples in Japan
7 Cash
8 Own one for ten years
9 At what price?
10 Close

Match the numbers: which column is which company?

Talk with your neighbors first; then we fill in the whiteboard together.

	A	B	C	D	E
Sales growth	32%	7%	65%	18%	0%
Operating margin	51%	13%	60%	11%	-4%
Capex % sales	34%	29%	3%	3%	28%
Free cash flow % sales	26%	-4%	45%	7%	-9%
Return on invested capital	47%	4%	94%	30%	-1%

Hints

Capital intensity Who builds first?

Growth Whose market is growing fast?

Pricing power Who sets its own price?

Losses Who is in a turnaround?

The five

- **NVIDIA**: designs AI and graphics chips, and outsources their manufacture to TSMC
- **TSMC**: a contract chipmaker: it makes chips that NVIDIA, Apple and others design, never its own
- **Intel**: designs its own PC and server chips and makes them in its own factories
- **MUJI**: runs shops for its own-brand goods, nearly half its sales abroad
- **JR East**: trains around Tokyo and Tohoku, plus station shops and offices

Source: each company's latest annual report or results (named in the formula slides)

Part 3 of 10

Five questions an owner asks

Buffett and Munger's lens, and the growth investor's

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Five questions an owner asks

> "A truly great business must have an enduring 'moat' that protects excellent returns on invested capital."
>
> Warren Buffett, Berkshire Hathaway 2007 shareholder letter

	The question	The number	Where to find it
1	**Can it charge more?**	Gross margin, five years	Income statement
2	**What does the owner take home?**	Free cash flow ÷ net income	Cash flow statement
3	**Can it grow without using up cash?**	ROIC: total, and on the capital added	Income statement + balance sheet
4	**Can it survive a bad year?**	Net debt ÷ EBITDA; interest coverage	Balance sheet + income statement
5	**Did the cash it kept earn its keep?**	(Dividends + buybacks) ÷ free cash flow, and Buffett's dollar-retained test	Cash flow statement, financing

Two lenses on the same five companies

	The business owner (Buffett, Munger)	The growth investor
The question	Is this a great business today?	How big can this business become?
Holding period	Buys with the intention to hold forever	As long as the growth lasts
What it pays for	The cash the business earns today, proven	The sales and profits of five to ten years from now
Capital	Prefers growth that needs little new capital	Accepts heavy spending if each new dollar earns well
Proof required	A full cycle, bad year included	A growing market and a lead in it
The risk	Paying for a past that does not repeat	Growth slows and the price paid was too high

> **A great business turns its sales into free cash flow and has a long runway for high returns on what it reinvests.**

Part 4 of 10

The chip chain

NVIDIA, TSMC, Intel

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The semiconductor value chain

Today's discussion companies · Other mentioned companies

DESIGN

EDA and IP

Design software Synopsys, Cadence, Siemens EDA

Licensed cores / IP Arm, Synopsys, Cadence, Rambus

Chip companies

IDMs (design and make) **Intel**, Samsung, Texas Instruments

Fabless **NVIDIA**, AMD, Qualcomm, Broadcom, Marvell, MediaTek

Captive / in-house silicon Apple, Google, Amazon, Microsoft, Meta

ASIC design services Global Unichip, Alchip, Socionext, Faraday

Some companies both design their own chips and co-develop custom silicon

FABRICATION

Equipment

Lithography ASML

Deposition / etch / clean Applied Materials, Lam Research, Tokyo Electron, ASM International

Inspection / metrology KLA, Hitachi High-Tech, Screen

Wafers and electronic materials

Silicon wafers Shin-Etsu, SUMCO, GlobalWafers, Siltronic

Chemicals / consumables Entegris, Qnity, Tokyo Ohka Kogyo, Merck, Stella Chemifa

Foundries

Leading edge **TSMC**, Samsung, **Intel Foundry**

Specialty / mature nodes GlobalFoundries, UMC, SMIC, Tower

MEMORY, PACKAGING & TEST

Memory

HBM / DRAM SK hynix, Samsung, Micron

NAND Samsung, Kioxia, Sandisk

Packaging and substrates

Advanced packaging **TSMC** (CoWoS / SoIC), **Intel**, ASE, Amkor

Substrates Ibiden, Unimicron, Shinko

Test equipment

Test systems Advantest, Teradyne

Used by OSATs, IDMs, and foundries

SYSTEMS AND BUYERS

Merchant and custom AI chips

Merchant AI / compute **NVIDIA**, AMD, **Intel**

Custom AI chips Google TPU, Amazon Trainium / Inferentia, Microsoft Maia, Meta MTIA

Networking / connectivity Broadcom, **NVIDIA**, Marvell, Astera Labs, Credo

Who deploys them

Hyperscalers Microsoft, Amazon, Google, Meta, Oracle

Devices / enterprise / auto Apple, Dell, HP, Toyota

Adjacent infrastructure

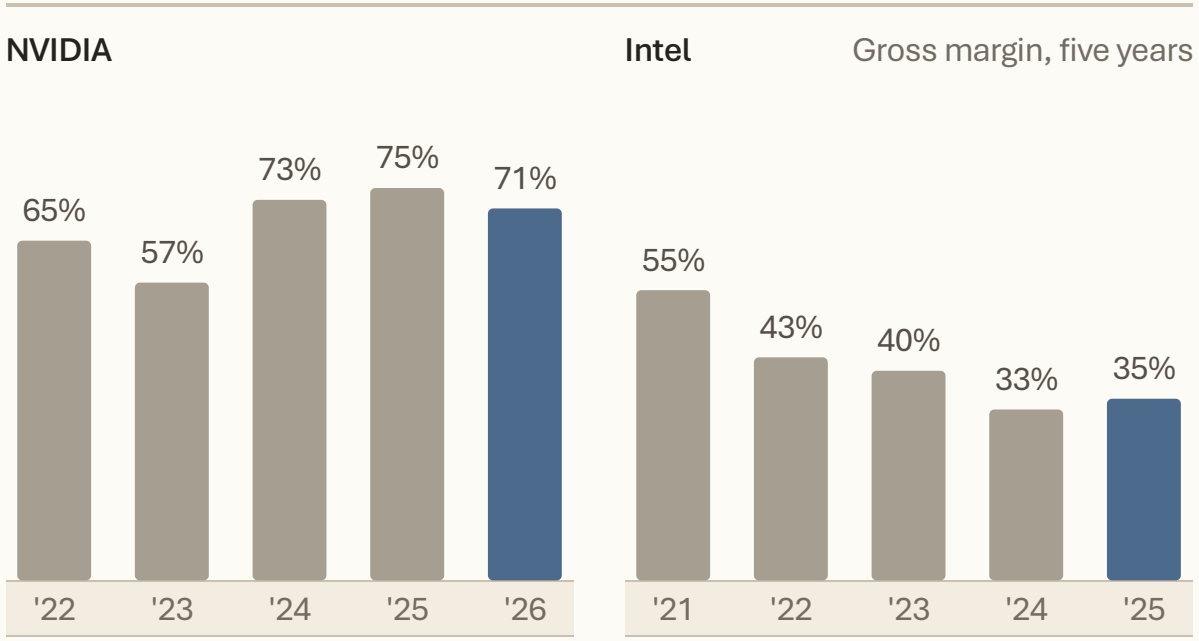
Power / cooling Vertiv, Schneider Electric, Bloom Energy

Data center real estate Equinix, Digital Realty

Satellites / edge uses SpaceX (Starlink)

Illustrative value-chain map. Companies may appear in multiple roles; economics differ across IP, product sales, foundry services, materials, memory, packaging and test.

NVIDIA vs Intel: can it charge more?



> “an ability to increase prices rather easily ... without fear of significant loss of either market share or unit volume”
>
> Warren Buffett, Berkshire Hathaway 1981 shareholder letter

Of each dollar of sales, NVIDIA keeps **71 cents** after the direct cost of its chips. Intel keeps **35 cents** of its dollar.

Why

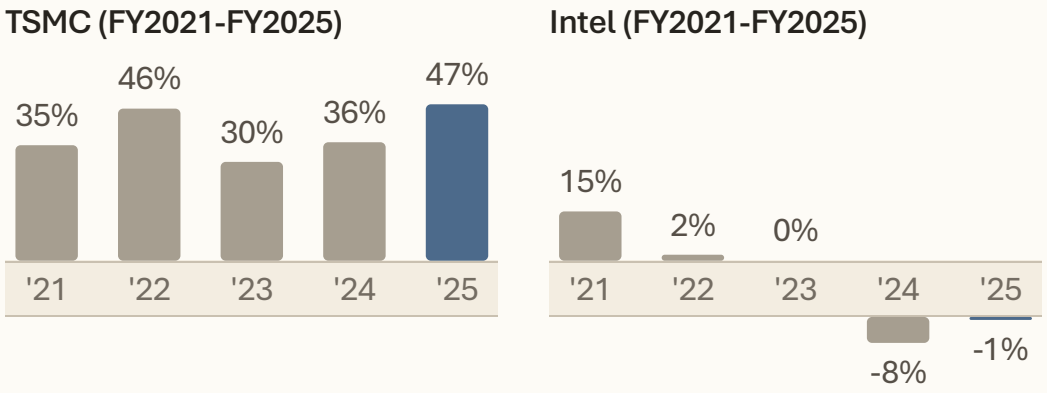
- NVIDIA's chips run CUDA, the software most AI work is already written for, so switching means rewriting. Demand has run ahead of supply: customers queue for delivery, and for a cloud company an idle data center costs more than NVIDIA's price. NVIDIA sets the price.
- Intel's PC and server processors compete with AMD and with Arm-based designs, and its factories are a fixed cost: the depreciation and the staff cost the same whether the lines run full or not. Intel cuts prices to keep them loaded.

Source: NVIDIA Form 10-K, year to Jan 2026, p. 51 (income statement; NVIDIA's fiscal years end in late January); Intel Form 10-K 2025, p. 60

TSMC vs Intel: does building factories pay off?

	TSMC	Intel
Sales growth per year, 4-year	24%	-10%
Capex % sales	34%	28%
Return on invested capital	47%	-1%
4-year incremental ROIC	59%	-59%

Return on invested capital, five years



Both spend about a third of sales on factories

- TSMC earns 59% on the capital added
- Intel earns less than nothing

Why

- TSMC's factories run full: at the leading edge its customers have nowhere else to go, and they pay deposits before a factory is built.
- Intel's foundry sold almost only to Intel itself, and Intel's own chips have been losing share; a factory with one shrinking customer cannot run full. Intel Foundry lost $10bn in 2025.

> "The worst sort of business is one that grows rapidly, requires significant capital to engender the growth, and then earns little or no money. Think airlines."
>
> Warren Buffett, Berkshire Hathaway 2007 shareholder letter

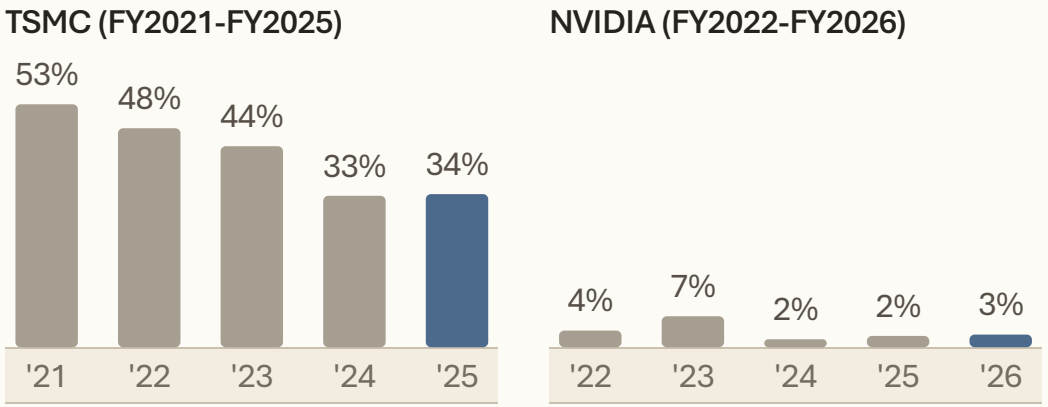
Source: TSMC Form 20-F FY2025, pp. F-6, F-10; Intel Form 10-K FY2025, pp. 60, 63

Formulas: Return on invested capital (57) › · Incremental return (58) › · Free cash flow (59) ›

TSMC vs NVIDIA: capital heavy vs capital light

	TSMC	NVIDIA
Sales growth per year, 4-year	24%	68%
Capex % sales	34%	3%
Return on invested capital	47%	94%
4-year incremental ROIC	59%	115%

Capex % sales, five years



Source: NVIDIA Form 10-K, years to Jan 2022-Jan 2026; TSMC Form 20-F 2021-2025

Both grew fast, but they need very different amounts of capital to grow

TSMC Capital heavy

Builds the factories itself and earns 59% on the capital it added; the factories are the moat, rebuilt every year.

NVIDIA Capital light

Pays TSMC to build its chips (asset-light); its capital goes into design and software, so most extra sales turn into cash.

The business owner prefers the capital light model; the growth investor accepts the capital heavy model as long as new factories earn as much as TSMC's.

Part 5 of 10

Find free cash flow

Why it matters, then open a real annual report

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Why investors focus on free cash flow

> Free cash flow is the cash a company can return to its owners and lenders after paying for the assets it needs.[1]

Why not net income?	"cash is a fact, profit is an opinion" Alfred Rappaport[2]
Why not EBITDA?	"References to EBITDA make us shudder — does management think the tooth fairy pays for capital expenditures?" Warren Buffett, 2000[3]
Why not EBIT?	EBIT subtracts depreciation: past spending spread over many years, not the cash spent this year. When capex runs above depreciation, EBIT runs ahead of cash.
Why not add back depreciation?	"Doing so implies that depreciation is not truly an expense, given that it is a 'non-cash' charge. That's nonsense." Warren Buffett, 2002[4]
What an owner earns	"we consider the owner earnings figure, not the GAAP figure, to be the relevant item for valuation purposes" Warren Buffett, 1986[5]
What a business is worth	"The value of any stock, bond or business today is determined by the cash inflows and outflows - discounted at an appropriate interest rate - that can be expected to occur during the remaining life of the asset." Warren Buffett, 1992[6]

Sources: [1] Mauboussin and Callahan, "To Free or Not to Free (Cash Flow)", 2026; [2] Rappaport, quoted in Mauboussin and Callahan, "What Does a Price-Earnings Multiple Mean?", 2014, p. 1; [3] Berkshire Hathaway 2000 letter, p. 17; [4] Berkshire Hathaway 2002 letter, p. 21; [5] Berkshire Hathaway 1986 letter, appendix (owner earnings = net income + depreciation - the capex needed to stay competitive); [6] Berkshire Hathaway 1992 letter (after John Burr Williams, The Theory of Investment Value, 1938)

What does the owner keep as free cash flow?

With your neighbor, or on your own: open your company's report, find these two lines, subtract.
Use AI or do it yourself; either way, check the line in the report.

	Report	Line 1: operating cash flow	Line 2: capex	Where
NVIDIA	Form 10-K year to Jan 2026 · SEC EDGAR	Net cash provided by operating activities	Purchases related to property and equipment and intangible assets	Cash flows, p. 55
TSMC	Form 20-F FY2025 · SEC EDGAR	Net cash generated by operating activities	Acquisitions of: Property, plant and equipment (+ Intangible assets below it)	Cash flows, p. F-10 (2025 NT$ column)
Intel	Form 10-K FY2025 · SEC EDGAR	Net cash provided by (used for) operating activities	Additions to property, plant and equipment	Cash flows, p. 63
MUJI	Consolidated Financial Results year to Aug 2026 · MUJI IR (English)	Net cash provided by (used in) operating activities	Purchase of property, plant and equipment (+ Purchase of intangible assets)	Cash flows, p. 12
JR East	Annual Securities Report year to Mar 2026 · JR East IR (English)	Net cash provided by operating activities	Payments for purchases of fixed assets	Cash flows, PDF p. 105

The answers: free cash flow

	Sales	Operating cash flow % of sales	Capex % of sales	Free cash flow % of sales
NVIDIA	$216bn	$103bn 48%	-$6.0bn 3%	**$97bn** 45%
TSMC	NT$3.8tn	NT$2.3tn 60%	-NT$1.3tn 34%	**NT$992bn** 26%
Intel	$53bn	$9.7bn 18%	-$15bn 28%	**-$4.9bn** -9%
MUJI	¥924bn	¥99bn 11%	-¥31bn 3%	**¥68bn** 7%
JR East	¥3.1tn	¥765bn 25%	-¥888bn 29%	**-¥123bn** -4%

> Is negative free cash flow bad? Not by itself. Walmart's was negative every year from 1973 to 1986, because it kept opening stores that earned about 18% on the capital put into them.[2]
>
> What matters is what the spending earns.

Buffett's definition of owner earnings (1986) is close to free cash flow, with one difference: it subtracts only the capital spending needed to keep the business competitive, not the spending for growth. The table above subtracts all of it.[3]

Sources: [1] Cash flow statements of the five reports (pages on the previous slide); [2] Mauboussin and Callahan, "To Free or Not to Free (Cash Flow)", 2026, p. 1; [3] Berkshire Hathaway 1986 letter, appendix on owner earnings

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Two examples in Japan

MUJI vs JR East

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Two examples in Japan

	MUJI FY2026 (Aug)	JR East FY2026 (Mar)
INCOME STATEMENT		
Sales	¥924bn	¥3.1tn
Operating income	¥103bn	¥414bn
Net income	¥76bn	¥248bn
CASH FLOW		
Operating cash flow	¥99bn	¥765bn
Capex	¥31bn	¥888bn
Free cash flow	¥68bn	-¥123bn
BALANCE SHEET		
Cash	¥169bn	¥262bn
Debt (leases excluded)	¥31bn	¥5.2tn
Equity	¥419bn	¥3.1tn

CAPITAL LIGHT

MUJI own-brand goods in its own shops

Sales by region, % of total

Japan	**55%**	East Asia	**32%**
Southeast Asia & Oceania	**7%**	Europe & America	**6%**

CAPITAL HEAVY

JR East trains, plus station shops, offices, hotels

Sales by business, % of total

Transportation	**66%**	Retail & Services	**13%**
Real Estate & Hotels	**17%**	Other incl. IT & Suica	**4%**

Source: Ryohin Keikaku results, year to Aug 2026 (unaudited); JR East Annual Securities Report, year to Mar 2026; segments from each report's segment note

MUJI vs JR East: what owners take home, and debt

	MUJI FY2026 (Aug)	JR East FY2026 (Mar)
INCOME STATEMENT		
Sales	¥924bn	¥3.1tn
Sales growth	18%	7%
Gross margin	53%	not reported
Operating margin	11%	13%
Net margin	8%	8%
EBITDA margin	15%	27%
CASH FLOW		
Operating cash flow % sales	11%	25%
Capex % sales	3%	29%
Free cash flow % sales	7%	-4%
Free cash flow ÷ net income, five years	78%	negative
RETURNS		
Return on invested capital	30%	4%
Return on equity	20%	8%
DEBT		
Net debt ÷ EBITDA	net cash	5.8x
Interest coverage	34x	5x
Debt ÷ equity	0.07x	1.69x

Similar operating margins; very different cash and debt

- MUJI turns most of its profit into free cash flow and holds net cash
- JR East spends more than its operating cash flow on the network and borrows to fill the gap
- JR East's capex runs at about twice its depreciation (1.7x over five years): it is expanding and renewing, not just replacing

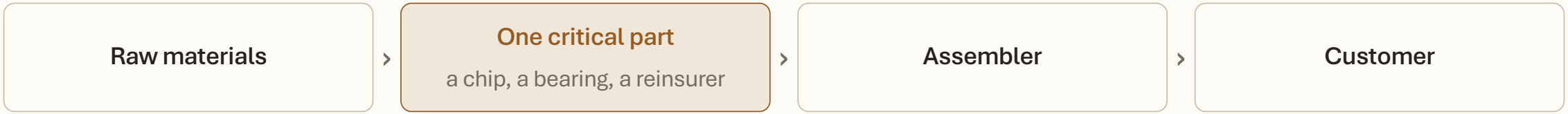
> A bad year tests the balance sheet, not the margin.

Source: Ryohin Keikaku results, year to Aug 2026, and annual reports FY8/2022-25; JR East Annual Securities Report, year to Mar 2026 (English), PDF pp. 43, 99, 101, 105

When the tide goes out: Buffett, 2001

> "In assessing the soundness of their reinsurance protection, insurers must therefore apply a stress test to all participants in the chain, and must contemplate a catastrophe loss occurring during a very unfavorable economic environment. **After all, you only find out who is swimming naked when the tide goes out.** At Berkshire, we retain our risks and depend on no one."
>
> Warren Buffett, Berkshire Hathaway 2001 shareholder letter, p. 10, on insurers after September 11, 2001[1]

The stress test: a chain is only as strong as its weakest link



If the weak link cracks in a bad year, every link to its right cracks too.

In 2021 carmakers idled plants for lack of chips costing a few dollars each: about 7.7 million cars not built, about $210bn of sales lost.[2]

> For MUJI and JR East: judge the balance sheet by the bad year, not the average one, and ask which link in their chain they cannot replace.

Sources: [1] Berkshire Hathaway 2001 Chairman's Letter, printed pp. 8-10 and 16; 2007 letter, p. 3; [2] AlixPartners, press release, Sep 2021: semiconductor shortages to cost the auto industry $210bn of revenue and 7.7 million vehicles in 2021

Part 7 of 10

Cash

Five years of it, and what management did with it

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Five years of cash: from operations, into capex, left over

NVIDIA ($bn)	FY2022	FY2023	FY2024	FY2025	FY2026
Operating cash flow	9	6	28	64	103
Capex	-1	-2	-1	-3	-6
Free cash flow	**8**	**4**	**27**	**61**	**97**
TSMC (NT$bn)	FY2021	FY2022	FY2023	FY2024	FY2025
Operating cash flow	1,112	1,611	1,242	1,826	2,275
Capex	-848	-1,090	-955	-965	-1,283
Free cash flow	**264**	**521**	**287**	**861**	**992**
Intel ($bn)	FY2021	FY2022	FY2023	FY2024	FY2025
Operating cash flow	29	15	11	8	10
Capex	-19	-25	-26	-24	-15
Free cash flow	**11**	**-9**	**-14**	**-16**	**-5**
MUJI (¥bn)	FY2022	FY2023	FY2024	FY2025	FY2026
Operating cash flow	23	57	59	73	99
Capex	-16	-23	-35	-38	-31
Free cash flow	**7**	**33**	**24**	**35**	**68**
JR East (¥bn)	FY2022	FY2023	FY2024	FY2025	FY2026
Operating cash flow	191	582	688	732	765
Capex	-583	-556	-715	-771	-888
Free cash flow	**-393**	**26**	**-27**	**-39**	**-123**

Three of the five kept cash after capex every year

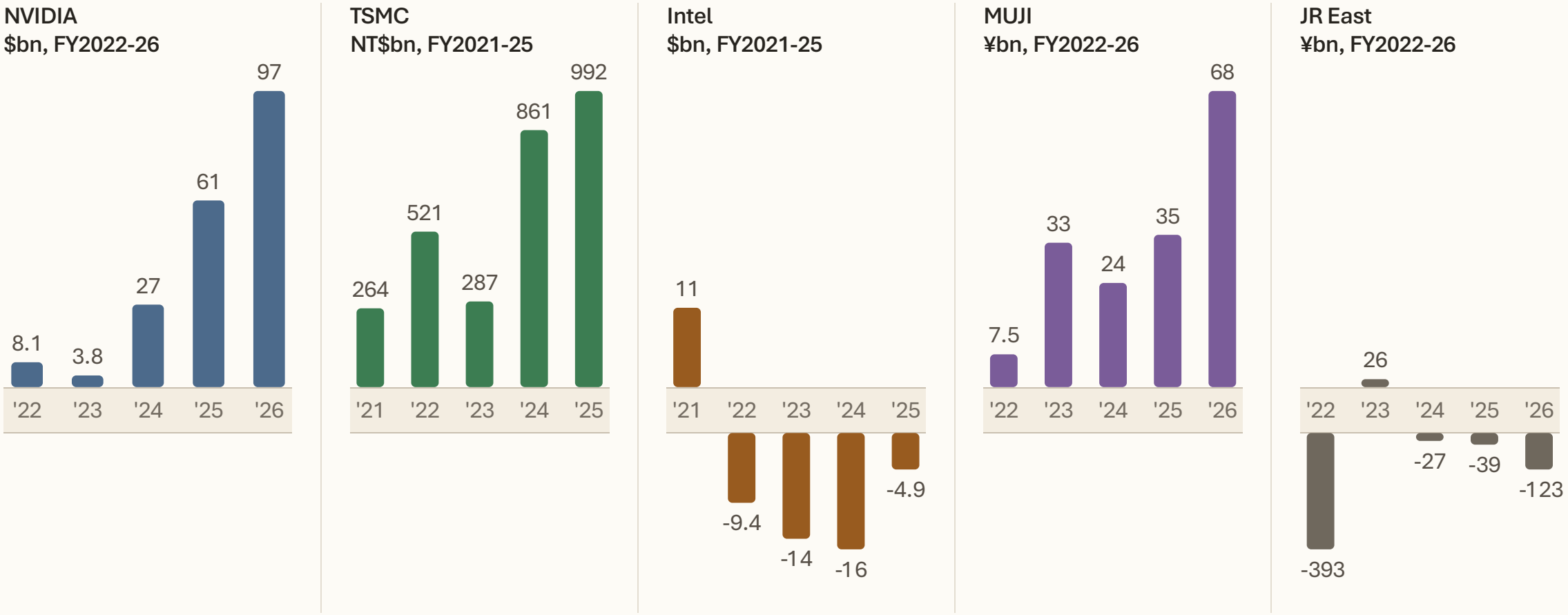
- NVIDIA, TSMC, MUJI: positive all five years
- Intel and JR East: negative in 4 of 5 years

How to read it

- Whole billions of each company's own currency; capex shown as a minus; rows may not add by 1 (rounding)
- Free cash flow = operating cash flow minus capex
- Fiscal years end: NVIDIA late January, TSMC and Intel December, MUJI August, JR East March
- MUJI's latest year is unaudited

Source: Cash flow statements of the reports on the Find-it slide, five fiscal years each

Free cash flow, five years, side by side



Each chart has its own scale, in the company's own currency; all five share the zero line, so the shapes compare, the heights do not.

Source: Cash flow statements of the reports on the Find-it slide, five fiscal years each; NVIDIA's fiscal years end in late January (FY2026 = the year to Jan 25, 2026)

What management did with the cash, five years

Each company's latest five fiscal years, added up

NVIDIA and TSMC paid out about half their free cash flow (49% and 57%); Intel and JR East paid out cash they did not generate.

	Free cash flow	Dividends	Buybacks	Paid out
NVIDIA	$196bn	$3.0bn	$93bn	49%
TSMC	NT$2.9tn	NT$1.7tn	NT$4.0bn	57%
Intel	-$34bn	$16bn	$2.4bn	FCF negative
MUJI	¥168bn	¥61bn	none	37%
JR East	-¥555bn	¥255bn	¥16bn	from borrowing

Buffett's test for keeping profits instead of paying them out:

> "Unrestricted earnings should be retained only when there is a reasonable prospect ... that for every dollar retained by the corporation, at least one dollar of market value will be created for owners."
>
> Warren Buffett, Berkshire Hathaway 1984 shareholder letter

Keep $1 of profit. If the incremental ROIC is

below the cost of capital → less than $1 of market value
equal to the cost of capital → $1 of market value
above the cost of capital → more than $1 of market value

Source: Cash flow statements of the reports on the Find-it slide, five fiscal years each

Part 8 of 10

Own one for ten years

Pick one of the five and argue it:
with your neighbor, then the room

1 Introduction
2 Match the numbers
3 Five questions an owner asks
4 The chip chain
5 Find free cash flow
6 Two examples in Japan
7 Cash
8 **Own one for ten years**
9 At what price?
10 Close

Owner vs growth investor: one scale

> “It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price.”
>
> Warren Buffett, Berkshire Hathaway 1989 shareholder letter

	Business owner (Buffett, Munger)	Growth investor
Return on capital	A high, lasting return on capital is the core; growth helps only when new money earns well	Same, judged by sales growth and what each new customer or factory earns
Capex	Capital light is better: growth needs little new money, so more cash reaches the owners; a capital heavy business must prove each new factory earns its keep	Capital heavy is fine when the return on it is high: at TSMC, the factories are the moat, and so far each new one has earned its keep
Certainty	Show me a full cycle, including the bad year	Pays for the next five to ten years
Price	A fair price for a wonderful business, held for decades: compounding does the work	Pays up for growth and trusts it to make today's price right; the risk is growth that slows
Buybacks	Only below intrinsic value; stock pay is a real cost	Accepts stock pay as a cost of hiring

Own one for ten years, and you cannot sell

So far: five questions (slide 13), measured on five companies, through two lenses (slide 14, 33). Now use them on one decision.

WITH YOUR NEIGHBOR

Which of the five would you own for ten years? Which line in its report worries you most?

- One of you argues as the **business owner**: a great business today, proven over a full cycle
- The other as the **growth investor**: how big it can become

THEN THE ROOM

Who has worked inside a chip company, a retailer, or a railway?

- Or in any other business that spends heavily on equipment?
- What does the report not show that you saw from the inside?

Part 9 of 10

At what price?

What the market pays for each, and whether past forecasts came true

1 Introduction
2 Match the numbers
3 Five questions an owner asks
4 The chip chain
5 Find free cash flow
6 Two examples in Japan
7 Cash
8 Own one for ten years
9 **At what price?**
10 Close

A great business, at what price?

	Close, Fri 10/30	P/E this year	P/E next year	EV/EBITDA last year	EV/EBITDA this year
NVIDIA	$204.64	22x	13x	37x	18x
TSMC	NT$2,370	21x	16x	23x	14x
Intel	$65.76	44x	34x	38x	16x
MUJI	¥4,836	33x	29x	17x	16x
JR East	¥3,638	15x	14x	11x	10x

Expected earnings and EBITDA: the analysts' average. “This year” is each company's current fiscal year (NVIDIA's ends Jan 2027, MUJI's Aug 2027, JR East's Mar 2027). EV (enterprise value) = market value + debt - cash.

The market prices next year, not last year

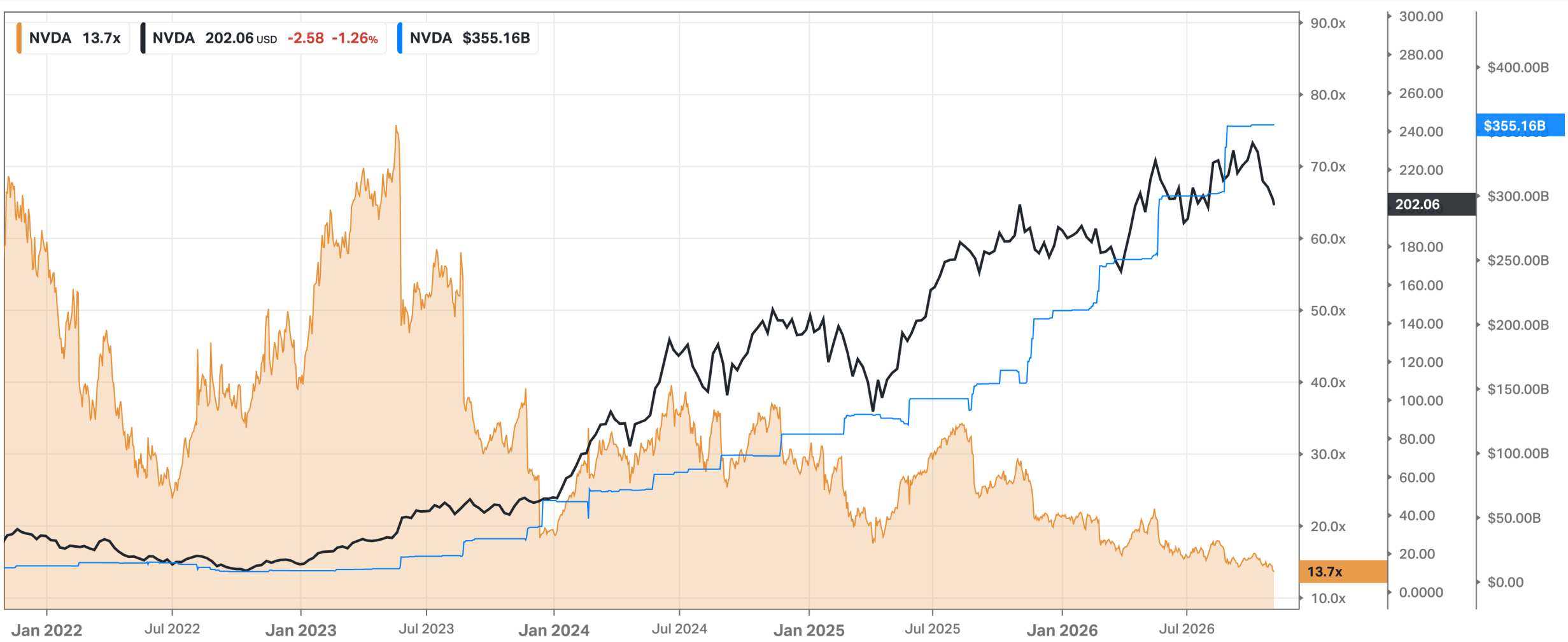
- NVIDIA: 22x expected earnings this year, 13x next year
- MUJI: 33x expected earnings this year, 29x next year

Two questions: how sure are you of the forecast, and is the business good enough for this price?

Hands up: which would you buy at today's price?

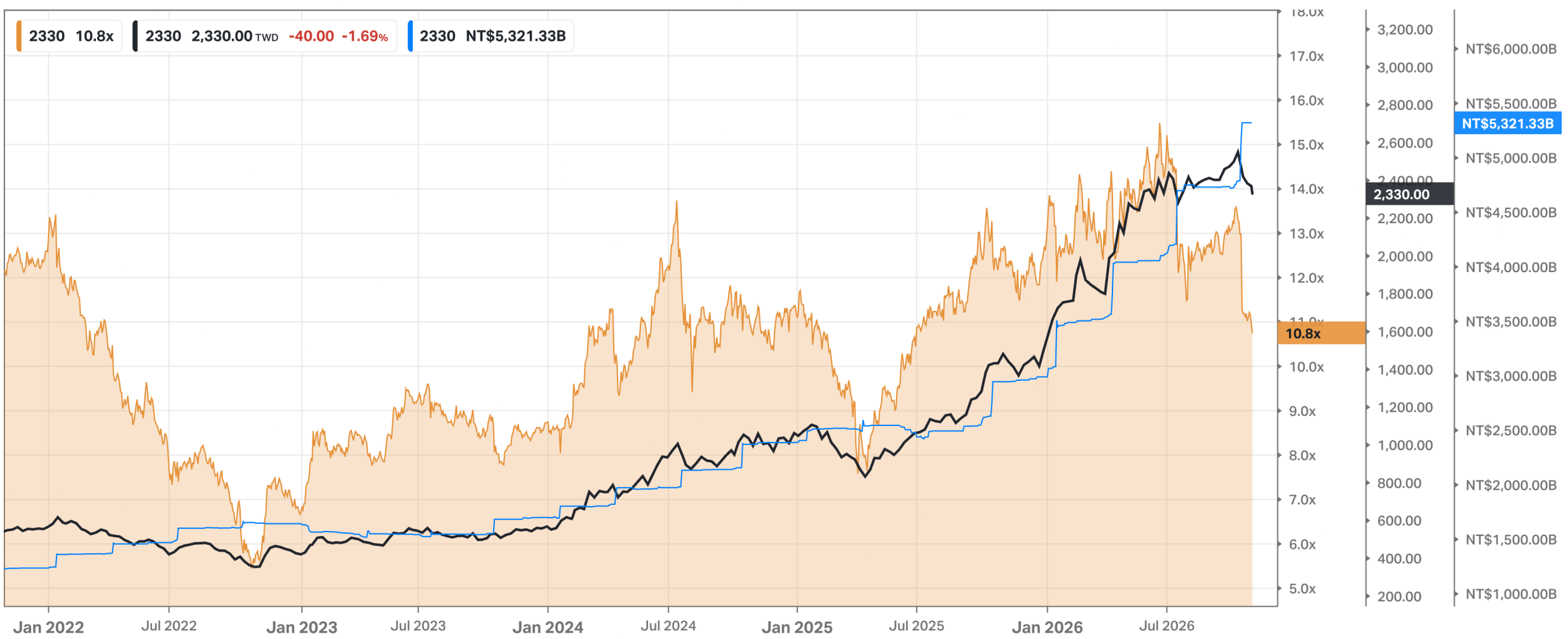
Source: Prices: closes of Fri 2026-10-30. Estimates: Koyfin analyst consensus, read 2026-11-01. Balance sheets: the latest annual reports

NVIDIA (NVDA US) Chart



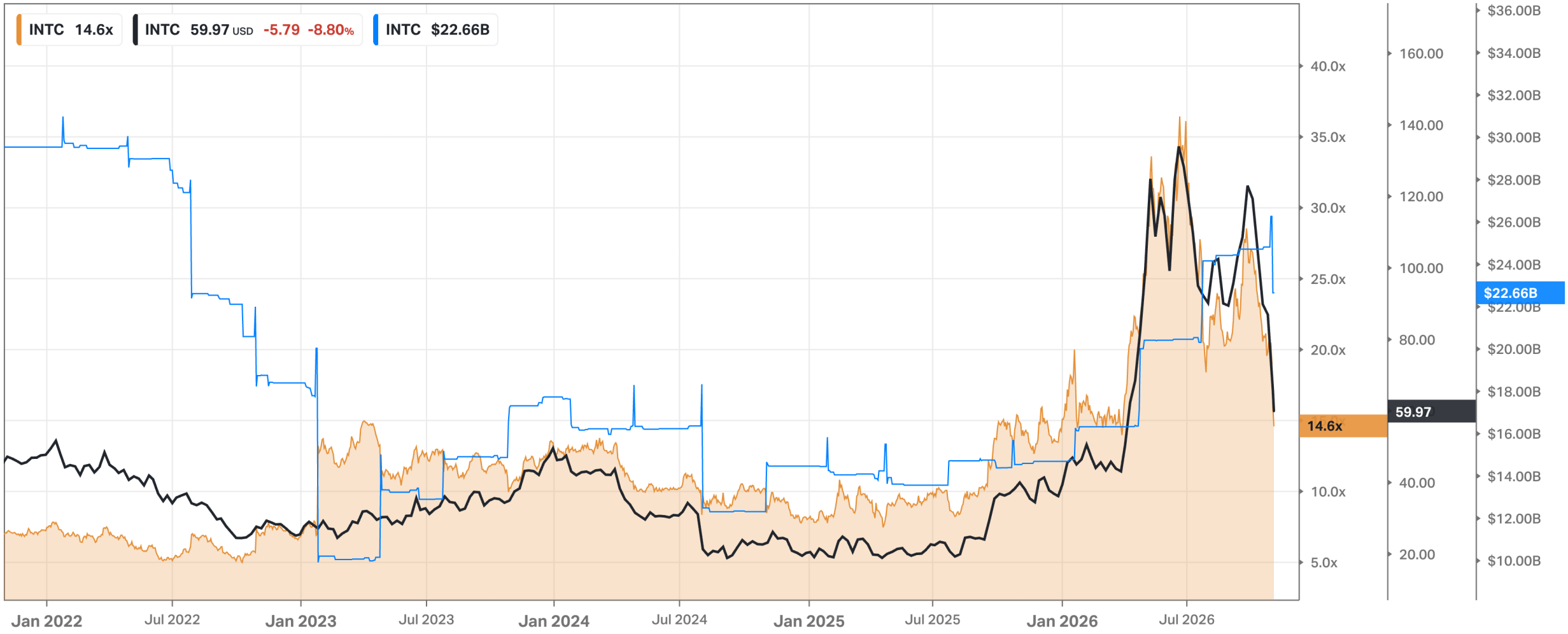
koyfin

TSMC (2330 TT) Chart



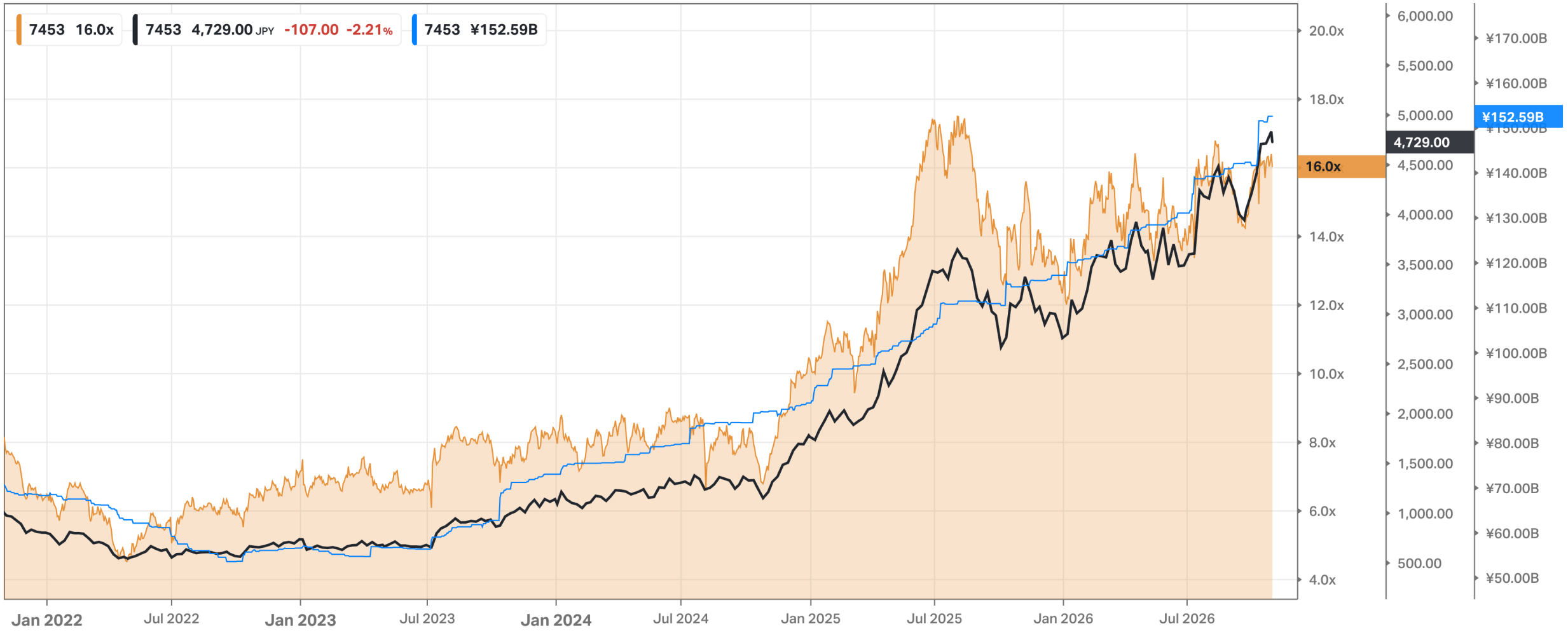
koyfin

Intel (INTC US) Chart



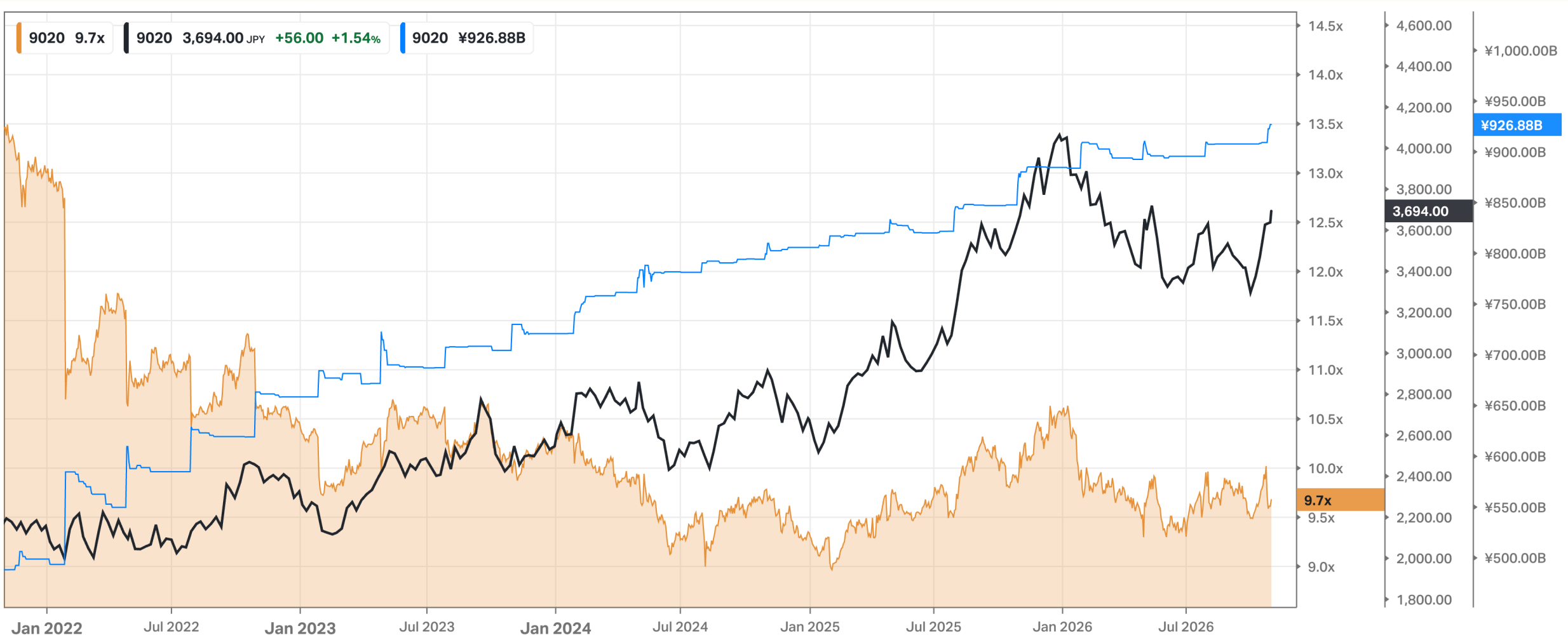
koyfin

Ryohin Keikaku (7453 JT) Chart



koyfin

JR East (9020 JT) Chart



koyfin

Did beating the forecast lift the shares?

Year	Forward P/E then	Forecast operating profit (¥bn)	Result (¥bn, vs forecast)	Share price, next 12 months	TOPIX	Nikkei 225
MUJI						
FY8/2022	19x	45	33 (-27%)	**-44%**	-6%	-7%
FY8/2023	16x	34	33 (-3%)	**+53%**	+20%	+17%
FY8/2024	16x	48	56 (+17%)	**+35%**	+20%	+26%
FY8/2025	19x	55	74 (+34%)	**+137%**	+15%	+17%
FY8/2026	32x	79	103 (+31%)	**+52%**	+28%	+38%
JR East						
FY3/2022	78x	74	-154 (a loss)	**-9%**	0%	-7%
FY3/2023	43x	153	141 (-8%)	**+14%**	+9%	+7%
FY3/2024	21x	270	345 (+28%)	**+15%**	+33%	+33%
FY3/2025	16x	370	377 (+2%)	**+8%**	-1%	-5%
FY3/2026	16x	387	414 (+7%)	**+15%**	+39%	+63%

Why MUJI beat its forecast again, in its own account[2]

- Sales +18%: new stores, and overseas ahead of plan (45% of sales, from 38% in FY2022)
- Gross margin +1.4 points to 52.8%: in-house production, fewer discounts
- A weaker yen: ¥4.8bn of the ¥30bn profit rise; plan ¥79bn, result ¥103bn

How measured: the company's first full-year forecast, published with the previous year's results (MUJI mid-October, JR East late April); prices change over the 12 months from the next trading day, through the next results, no dividends.

> MUJI: yes. Three beats, and its shares beat TOPIX in all three years; its one big miss (-27%) came with a 44% fall. JR East: no. Its best beat (+28%) came in a year it trailed TOPIX by 17 points.

Sources: [1] Company results releases FY2022-FY2027; prices: Yahoo Finance (TOPIX through the NEXT FUNDS TOPIX ETF); checked against Koyfin, 2026-11-01; [2] Ryohin Keikaku, Financial Results Briefing for FY26/8, Oct 14, 2026, pp. 3-5 and 8

Company A: would you pay $1.8tn for it?

Years to December	2023	2024	2025	Jan-Jun 2026	2030E
INCOME STATEMENT					$bn
Revenue	10	14	19	13	474
Gross margin	41%	43%	49%	53%	
Operating income	-4	<1	-3	-2	
Net income	-5	1	-5	-5	
CASH FLOW					
Operating cash flow	5	6	7	3	
Capex	-4	-11	-21	-28	
Free cash flow	**<1**	**-5**	**-14**	**-25**	
Valued at (latest)	**180**	**350**	**800**	**1,830**	

Filed with the SEC; earlier valuations from the press. Valued at: the latest price in each year. 2030: the middle of three sell-side estimates (319, 474 and 486).

What investors pay now $bn

Market value, Oct 30	**1,830**
Plus debt, less cash and investments	**-51**
= Enterprise value (EV)	**1,779**
Revenue 2027E, analysts' average	**180**
EV ÷ 2027E revenue	**10×**

Spending commitments

$38bn non-cancelable, mostly AI infrastructure and cloud capacity (Sep 30, 2026)

Source: Company filings and press reports, named on the reveal slide

Company B: would you pay $1.50 trillion for it?

Years to December	2023	2024	2025	Jan-Jun 2026	2028E
INCOME STATEMENT					$bn
Revenue	<1	<1	5	16	195
Gross margin	37%	-95%	40%	85%	
Operating income	-1	-3	-8	-1	
Net income	-2	-8	-42	-81	
CASH FLOW					
Operating cash flow	-2	-6	-3	4	
Capex	<1	<1	<1	<1	
Free cash flow	**-2**	**-6**	**-3**	**3**	
Valued at (latest)	**4-5**	na	**183**	**965**	

Filed with the SEC (IPO prospectus); valuations from funding rounds (na: none for 2024). Net loss mostly non-cash: notes that convert into its shares rose in value. 2028: its plan as reported (Reuters, Aug 2026); no 2030 figure reported.

What investors pay now $bn

Last funding round, May 2026	**965**
IPO valuation, as reported	**~1,500**
Revenue 2027E	na
Revenue 2028, its plan	**190-200**
IPO valuation ÷ 2028 revenue	**~8×**

Spending commitments

$895bn mostly compute, to 2045; $214bn can be canceled or is conditional (Sep 30, 2026)

Source: Company filings and press reports, named on the reveal slide

Company C: would you pay $1.25 trillion for it?

Years to December	2023	2024	2025	Jan-Jun 2026	2030E
INCOME STATEMENT					$bn
Revenue	na	4	13	12	350
Gross margin	na	28%	43%	na	
Operating income	na	-9	-21	-22	
Net income	na	-5	-39	na	
CASH FLOW					
Operating cash flow	na	na	na	na	
Capex	na	na	na	na	
Free cash flow	na	na	**-8**	na	
Valued at (latest)	**86**	**157**	**500**	**852**	

Not filed: press reports of its audited statements. Free cash flow: the cash burn reported; 2025 net loss mostly non-cash. 2030: its plan as reported (FT, Sep 2026).

What investors pay now $bn

Last funding round, Mar 2026	**852**
Next round in talks, before new money	**1,250**
Revenue 2026E, its plan	**36**
Revenue 2027E, its plan	**62**
Next round ÷ 2027E revenue	**20×**

Spending commitments

$1,400bn over about eight years: chips, data centers and cloud contracts (CEO, Nov 2025)

Source: Company filings and press reports, named on the reveal slide

Part 10 of 10

Close

Club activity vote, reading list, feedback, next session

1 Introduction
2 Match the numbers
3 Five questions an owner asks
4 The chip chain
5 Find free cash flow
6 Two examples in Japan
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8 Own one for ten years
9 At what price?
10 **Close**

Phones out

Club activities: rate each one

1. Bank of Japan head office tour
2. Tokyo Stock Exchange tour and trading game
3. Nihonbashi walk: TSE gallery and Currency Museum (no booking)
4. Study a Japanese company, then meet its management
5. Visit a Tokyo hedge fund office
6. Nikkei and TSE IR Fair (August)
7. Other: your own idea

> **We will do more than one.**

unoriginal.jp/club/live/2026-11-03

Go further

Warren Buffett	Berkshire Hathaway shareholder letters: 2007 (the great, the good and the gruesome), 1992 (what a business is worth), 1986 (owner earnings) berkshirehathaway.com
Michael Mauboussin	Counterpoint Global (Morgan Stanley): “To Free or Not to Free (Cash Flow)” (2026), “Return on Invested Capital” (2022), “Measuring the Moat” (2016) morganstanley.com/im
Howard Marks	Oaktree memo “The Calculus of Value” (2025): great companies at high prices oaktreecapital.com
Nick Sleep	Ran the Nomad Investment Partnership, 2001-2014; its letters to partners explain “scale economics shared” (passing the savings from size on to customers) igyfoundation.org.uk
The workbook	Every number in today's slides, five years, with the formulas, slide by slide on the session page

Phones out · 17:50

Feedback

Before the open half-hour.

unoriginal.jp/club/live/2026-11-03

Next session

Wed 11/11, 17:00

(Topic to fill in)

Now: the open half-hour, 18:00-18:30

Reference

Supplemental: the formulas

How each figure in the deck is computed, one slide per measure. Each one links back to the slide that used it.

All five at a glance: income and cash flow

	NVIDIA FY2026	TSMC FY2025	Intel FY2025	MUJI FY2026	JR East FY2026
INCOME STATEMENT					
Sales	$216bn	NT$3.8tn	$53bn	¥924bn	¥3.1tn
Sales growth	65%	32%	0%	18%	7%
Gross margin	71%	60%	35%	53%	not reported
Operating margin	60%	51%	-4%	11%	13%
Net margin	56%	45%	-1%	8%	8%
EBITDA margin	62%	69%	18%	15%	27%
CASH FLOW					
Operating cash flow % sales	48%	60%	18%	11%	25%
Capex % sales	3%	34%	28%	3%	29%
Free cash flow % sales	45%	26%	-9%	7%	-4%
Free cash flow ÷ net income, five years	83%	55%	negative	78%	negative

Source: Income statements, balance sheets and cash flow statements of the reports on the Find-it slide

Formula slide (appendix)

‹ Back to MUJI vs JR East: what owners take home, and debt (26)

All five at a glance: returns and debt

	NVIDIA FY2026	TSMC FY2025	Intel FY2025	MUJI FY2026	JR East FY2026
RETURNS					
Return on invested capital	94%	47%	-1%	30%	4%
Return on equity	101%	35%	0%	20%	8%
DEBT					
Net debt ÷ EBITDA	net cash	net cash	3.4x	net cash	5.8x
Interest coverage	503x	157x	negative	34x	5x
Debt ÷ equity	0.05x	0.19x	0.37x	0.07x	1.69x

Return on invested capital = operating income × (1 - tax rate) ÷ average of (equity + debt - cash)

Return on equity = net income ÷ average equity

Net debt = debt (leases excluded) - cash

Interest coverage = operating income ÷ interest expense

Source: Income statements, balance sheets and cash flow statements of the reports on the Find-it slide

Formula slide (appendix)

‹ Back to MUJI vs JR East: what owners take home, and debt (26)

Gross margin

Gross margin = gross profit ÷ sales

	Gross profit	Sales	Gross margin
NVIDIA ($bn)	153	216	71%
TSMC (NT$bn)	2,281	3,809	60%
Intel ($bn)	18	53	35%
MUJI (¥bn)	488	924	53%

Source: NVIDIA 10-K, year to Jan 2026, p. 51; TSMC 20-F 2025 p. F-6; Intel 10-K 2025 p. 60; Ryohin Keikaku results, year to Aug 2026, p. 8

Formula slide (appendix)

‹ Back to NVIDIA vs Intel: can it charge more? (17)

R&D and SG&A % sales

R&D % sales = research and development ÷ sales

SG&A % sales = selling, general and administrative expenses ÷ sales

	R&D	SG&A	R&D % sales	SG&A % sales
NVIDIA ($bn)	18	5	9%	2%
TSMC (NT$bn)	246	99	6%	3%
Intel ($bn)	14	5	26%	9%
MUJI (¥bn)	-	384	-	42%
JR East (¥bn)	25	718	1%	23%

Source: Income statements and R&D notes of the reports on the Find-it slide

Formula slide (appendix)

‹ Back to NVIDIA vs Intel: can it charge more? (17)

Return on invested capital

ROIC = operating income × (1 - tax rate) ÷ average of (equity + debt - cash)

	Operating income	Tax rate	Invested capital	ROIC
NVIDIA ($bn)	130	15%	117	94%
TSMC (NT$bn)	1,936	17%	3,416	47%
Intel ($bn)	-2	35%	153	-1%
MUJI (¥bn)	103	24%	264	30%
JR East (¥bn)	414	26%	7,777	4%

$10,000 invested; capital costs 8% a year

Earns a year	$500	$800	$1,100
Worth	$6,250	$10,000	$13,750

When a business earns exactly its cost of capital:

> "Growth is like the speed setting on a treadmill. You can turn it up or down but you are going nowhere."
>
> Michael Mauboussin, "Return on Invested Capital", Counterpoint Global, 2022

Source: Income statements and balance sheets of the reports on the Find-it slide, latest two years; example: M. Mauboussin, "Return on Invested Capital", Counterpoint Global, Oct 2022, p. 1

Formula slide (appendix)

‹ Back to TSMC vs Intel: does building factories pay off? (18)

Incremental return on invested capital

Incremental ROIC = change in operating profit after tax ÷ change in average invested capital

change: the latest year less the year four years earlier

		Operating profit after tax			Average invested capital			
	Years	First year	Latest	Change	First year	Latest	Change	Change ÷ change
NVIDIA ($bn)	FY2022-FY2026 (years to Jan)	10	111	**101**	29	117	**88**	**115%**
TSMC (NT$bn)	FY2021-FY2025 (calendar years)	581	1,607	**1,026**	1,671	3,416	**1,744**	**59%**
Intel ($bn)	FY2021-FY2025 (calendar years)	18	-1	**-19**	120	153	**33**	**-59%**
MUJI (¥bn)	FY2022-FY2026 (years to Aug)	24	78	**54**	175	264	**89**	**60%**
JR East (¥bn)	FY2022-FY2026 (years to Mar)	-154	308	**462**	6,830	7,777	**947**	**49%**

Source: Income statements and balance sheets of the reports on the Find-it slide, five years

Formula slide (appendix)

‹ Back to TSMC vs Intel: does building factories pay off? (18)

Free cash flow and capex

Free cash flow = operating cash flow - capex

Free cash flow ÷ net income

Capex ÷ depreciation

	Cash, five years			Earnings, five years		Assets, five years	
	Operating cash flow	Capex	Free cash flow	Net income	Free cash flow ÷ net income	Depreciation	Capex ÷ depreciation
NVIDIA ($bn)	210	-13	196	237	83%	9	1.5x
TSMC (NT$bn)	8,066	-5,141	2,925	5,293	55%	2,743	1.9x
Intel ($bn)	74	-108	-34	11	negative	58	1.9x
MUJI (¥bn)	311	-143	168	215	78%	147	1.0x
JR East (¥bn)	2,958	-3,513	-555	673	negative	2,010	1.7x

Source: Cash flow statements and income statements of the reports on the Find-it slide, five years

Formula slide (appendix)

‹ Back to TSMC vs Intel: does building factories pay off? (18)

Debt: can it survive a bad year?

Net debt ÷ EBITDA = (debt - cash) ÷ EBITDA

Interest coverage = operating income ÷ interest expense

Debt ÷ equity

	Net debt ÷ EBITDA	Interest coverage	Debt ÷ equity
NVIDIA	net cash	503x	0.05x
TSMC	net cash	157x	0.19x
Intel	3.4x	negative	0.37x
MUJI	net cash	34x	0.07x
JR East	5.8x	5x	1.69x

Source: Balance sheets and income statements of the reports on the Find-it slide

Formula slide (appendix)

‹ Back to MUJI vs JR East: what owners take home, and debt (26)

DuPont: where ROE comes from

EBIT margin operating profit as % of sales × **1 - tax rate** tax rate = tax ÷ pre-tax profit = **NOPAT margin** after-tax operating profit as % of sales × **Sales turnover** sales ÷ average total assets = **ROA** after-tax operating profit ÷ average assets × **Leverage effect** ROE ÷ ROA: debt, interest, one-offs = **ROE** net income ÷ average equity

	EBIT margin	Tax rate	NOPAT margin	Sales turnover	ROA	Leverage effect	ROE
NVIDIA	60%	15%	51%	1.36x	70%	1.46x	101%
TSMC	51%	17%	42%	0.52x	22%	1.60x	35%
Intel	-4%	35%	-3%	0.26x	-1%	-	0%
MUJI	11%	24%	8%	1.50x	13%	1.59x	20%
JR East	13%	26%	10%	0.29x	3%	2.84x	8%

NVIDIA earns its ROE through margin, MUJI through turnover, JR East partly through debt.

Source: Income statements and balance sheets of the reports on the Find-it slide, latest fiscal year: NVIDIA year to Jan 2026, TSMC and Intel calendar 2025, MUJI year to Aug 2026, JR East year to Mar 2026 (averages use the prior year's balance sheet too)

Formula slide (appendix)

‹ Back to MUJI vs JR East: what owners take home, and debt (26)

DuPont: five years of ROA and ROE

ROA = after-tax operating profit ÷ average assets

ROE = net income ÷ average equity

NVIDIA (FISCAL YEARS END IN JANUARY)

	FY2022	FY2023	FY2024	FY2025	FY2026
ROA	27%	10%	54%	80%	70%
ROE	45%	18%	91%	119%	101%

TSMC (CALENDAR YEARS)

	FY2021	FY2022	FY2023	FY2024	FY2025
ROA	18%	22%	15%	18%	22%
ROE	30%	39%	27%	30%	35%

INTEL (CALENDAR YEARS)

	FY2021	FY2022	FY2023	FY2024	FY2025
ROA	11%	1%	0%	-6%	-1%
ROE	23%	8%	2%	-17%	0%

MUJI (FISCAL YEARS END IN AUGUST)

	FY2022	FY2023	FY2024	FY2025	FY2026
ROA	6%	5%	8%	11%	13%
ROE	11%	9%	15%	16%	20%

JR EAST (FISCAL YEARS END IN MARCH)

	FY2022	FY2023	FY2024	FY2025	FY2026
ROA	-2%	1%	3%	3%	3%
ROE	-4%	4%	8%	8%	8%

Source: Income statements and balance sheets of the reports on the Find-it slide, six years

Formula slide (appendix)

‹ Back to MUJI vs JR East: what owners take home, and debt (26)

Forward P/E and EV/EBITDA

P/E = price ÷ expected earnings per share

EV/EBITDA = EV ÷ expected EBITDA

EV = market value + debt - cash

EBITDA = operating income + depreciation and amortization

	EPS, this year	P/E, this year	EPS, next year	P/E, next year	Market value (bn)	EV (bn)	EBITDA, this year (bn)	EV/ EBITDA
NVIDIA ($)	9.31	22x	15.91	13x	4,973	4,971	273	18x
TSMC (NT$)	110.55	21x	149.17	16x	61,460	59,725	4,130	14x
Intel ($)	1.49	44x	1.95	34x	328	361	22	16x
MUJI (¥)	145.26	33x	167.87	29x	2,568	2,430	153	16x
JR East (¥)	240.85	15x	264.98	14x	4,119	9,020	899	10x

Source: Closes of 2026-10-30; Koyfin analyst consensus (read 2026-11-01); the reports on the Find-it slide

Formula slide (appendix)

‹ Back to A great business, at what price? (36)

MUJI's inventory days

Inventory days = inventories ÷ cost of sales × 365

¥206bn	÷	¥436bn	×	365	=	172
inventories (all lines)		cost of sales		days in a year		inventory days

Source: Ryohin Keikaku results, year to Aug 2026, pp. 6 and 8

Formula slide (appendix)

‹ Back to MUJI vs JR East: what owners take home, and debt (26)