

Jinpan International, Ltd. JST (NAS)

Last Close	Industry	Sector
16.26 USD	Diversified Electronics	Hardware

Profile

Pricing data through 05 May 2010

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Jinpan International Limited, through its subsidiary Hainan Jinpan Electric Company, Ltd., engages in the design, manufacture, and sale of cast resin transformers for voltage distribution equipment in China. The company's cast resin transformers allow high voltage transmissions of electricity to be distributed to various locations in lower, more usable voltages. Hainan Jinpan was established as a Sino-foreign cooperative joint venture between Haikou Jinpan and Jinpan International. It is located in the Hainan Province in southern China and is principally involved in the design, manufacture and sale of cast resin transformers.

The company manufactures and sells primarily four types of cast resin transformers. For the Chinese markets, Jinpan International makes 155 and 188 degree Celsius insulation. It manufactures and sells 16 standard sizes of transformers with KVA capacities ranging between 100 to 3150 KVA. For transformers with KVA of 400 and under, the high and low voltage coils are cast in epoxy resin under vacuum condition. For transformers with KVA above 400, the high voltage coils are cast in epoxy resin under vacuum conditions and the low voltage coils are encapsulated.

For the U.S. and North American markets, also makes 150 degree Celsius and 185 degree Celsius insulation, per ANSI, IEEE, and NEMA standards. For each insulation system, Jinpan International manufactures nine standard sizes with KVA capacities ranging from 300 KVA to 3750 KVA. The company's current maximum transformer KVA range for the Chinese, U.S., and North American markets is 20,000 KVA. The principal raw materials requires for the business are epoxy resin, used to coat the copper coils of transformers, silicon steel, which comprises the cores of transformers, and copper foil, for copper foil windings.

Jinpan International, Ltd. JST

Sales USD Mil 167 **Mkt Cap USD Mil** 267 **Industry** Diversified Electronics **Sector** Hardware

Jinpan International designs, manufactures, and sells cast resin transformers for voltage distribution equipment in China, through its subsidiary, Hianan Jinpan Electric Company. The company manufactures four types of cast resin transformers, which include 155 degree Celsius, 150 degree Celsius, 185 degree Celsius, and 188 degree Celsius transformers. These transformers distribute high voltage electricity to locations in lower, usable voltages.

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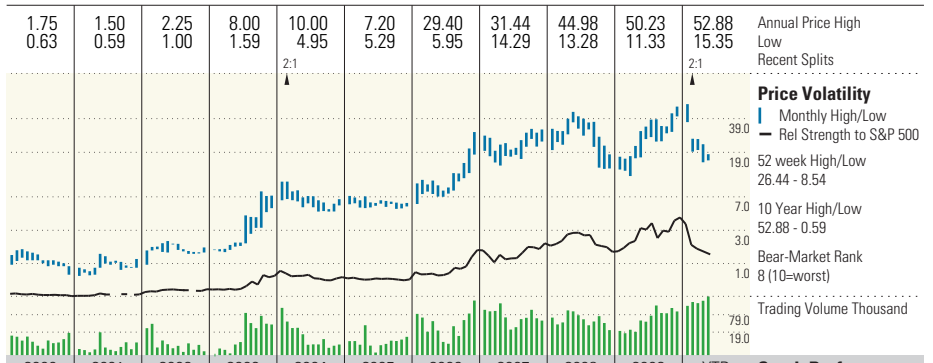
Growth Rates	Compound Annual				
	1 Yr	3 Yr	5 Yr	10 Yr	
Revenue %	32.9	43.5	36.2	32.0	
Operating Income %	23.8	51.9	38.9	35.8	
Earnings/Share %	20.2	53.9	38.1	25.3	
Dividends %	0.0	6.3	57.2	—	
Book Value/Share %	29.3	39.9	28.1	20.4	
Stock Total Return %	52.8	13.0	41.6	39.8	
+/- Industry	—	—	—	—	
+/- Market	—	—	—	—	

Profitability Analysis				
	Current	5 Yr Avg	Ind	Mkt
Return on Equity %	25.7	17.6	11.8	19.6
Return on Assets %	16.3	11.9	6.8	7.5
Fixed Asset Turns	6.2	12.4	2.8	6.8
Inventory Turns	3.5	3.8	5.1	13.3
Revenue/Employee USD K	212.1	230.0*	—	772.3
Gross Margin %	38.9	32.5	23.3	41.3
Operating Margin %	18.9	13.3	-4.5	12.4
Net Margin %	17.7	10.4	9.5	8.3
Free Cash Flow/Rev %	32.7	—	3.6	0.1
R&D/Rev %	—	—	—	10.4

Financial Position		
	12-08 USD Mil	09-09 USD Mil
Cash	15	38
Inventories	32	22
Receivables	66	72
Current Assets	120	150
Fixed Assets	24	26
Intangibles	18	18
Total Assets	162	194
Payables	32	33
Short-Term Debt	12	26
Current Liabilities	55	66
Long-Term Debt	0	—
Total Liabilities	55	66
Total Equity	107	129

Valuation Analysis				
	Current	5 Yr Avg	Ind	Mkt
Price/Earnings	8.9	12.7	—	18.5
Forward P/E	7.7	—	—	14.0
Price/Cash Flow	4.7	—	10.9	7.1
Price/Free Cash Flow	4.8	—	42.0	17.1
Dividend Yield %	0.7	—	0.5	1.8
Price/Book	2.0	2.2	2.0	2.2
Price/Sales	1.6	1.6	1.5	1.3
PEG Ratio	0.4	—	—	1.6

Morningstar Rating **Last Price** 16.26 **Fair Value** **Uncertainty** **Economic Moat™** **Stewardship Grade**
— — — — — —
per share prices in USD



Stock Performance	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD	
Annual Price High	1.75	1.50	2.25	8.00	10.00	7.20	29.40	31.44	44.98	50.23	52.88	39.0
Low	0.63	0.59	1.00	1.59	4.95	5.29	5.95	14.29	13.28	11.33	15.35	19.0
Recent Splits	—	—	—	2:1	—	—	—	—	—	—	—	2:1
Monthly High/Low	—	—	—	—	—	—	—	—	—	—	—	—
Rel Strength to S&P 500	—	—	—	—	—	—	—	—	—	—	—	—
52 week High/Low	—	—	—	—	—	—	—	—	—	—	—	—
26.44 - 8.54	—	—	—	—	—	—	—	—	—	—	—	—
10 Year High/Low	—	—	—	—	—	—	—	—	—	—	—	—
52.88 - 0.59	—	—	—	—	—	—	—	—	—	—	—	—
Bear-Market Rank	—	—	—	—	—	—	—	—	—	—	—	—
8 (10=worst)	—	—	—	—	—	—	—	—	—	—	—	—
Trading Volume Thousand	—	—	—	—	—	—	—	—	—	—	—	—

Financials	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	
Revenue USD Mil	13	17	23	29	34	42	54	83	120	159	167	Revenue USD Mil
Gross Margin %	52.3	47.7	45.7	47.1	44.0	35.0	32.5	28.3	35.0	31.7	38.9	Gross Margin %
Operating Margin %	1	2	4	4	5	5	7	10	19	23	32	Operating Margin %
Net Income USD Mil	10.9	11.8	16.8	13.8	13.3	10.9	12.4	12.5	15.8	14.7	18.9	Net Income USD Mil
Earnings Per Share USD	2	2	3	3	3	3	5	8	16	20	30	Earnings Per Share USD
Dividends USD	—	0.16	0.22	0.24	0.25	0.26	0.35	0.57	1.05	1.26	1.83	Dividends USD
Shares Mil	—	—	—	—	0.01	0.05	0.10	0.12	0.12	0.12	0.12	Shares Mil
Book Value Per Share USD	1.32	1.54	1.77	1.90	2.11	2.40	4.68	5.06	6.54	8.28	8.28	Book Value Per Share USD
Oper Cash Flow USD Mil	2	0	3	3	2	-1	3	5	0	18	56	Oper Cash Flow USD Mil
Cap Spending USD Mil	0	0	-1	-1	0	-1	-1	-3	-7	-14	-1	Cap Spending USD Mil
Free Cash Flow USD Mil	2	-1	3	2	2	-2	3	2	-7	4	55	Free Cash Flow USD Mil

Profitability	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	
Return on Assets %	—	10.7	12.4	10.6	9.8	9.1	9.7	10.6	15.5	14.4	16.3	Return on Assets %
Return on Equity %	—	12.9	15.5	14.4	13.7	13.0	15.0	15.8	22.5	21.6	25.7	Return on Equity %
Net Margin %	13.3	11.8	12.0	10.2	9.6	8.2	8.4	9.1	13.7	12.8	17.7	Net Margin %
Asset Turnover	—	0.90	1.04	1.03	1.02	1.11	1.16	1.17	1.13	1.12	0.92	Asset Turnover
Financial Leverage	—	1.2	1.3	1.5	1.4	1.5	1.6	1.4	1.5	1.5	1.5	Financial Leverage

Financial Health	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	09-09	
Working Capital USD Mil	12	15	16	20	22	24	28	58	60	64	85	Working Capital USD Mil
Long-Term Debt USD Mil	0	—	—	—	—	—	—	—	—	0	—	Long-Term Debt USD Mil
Total Equity USD Mil	15	17	19	22	25	28	32	63	83	107	129	Total Equity USD Mil
Debt/Equity	—	—	—	—	—	—	—	—	—	0.00	—	Debt/Equity

Valuation	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	
Price/Earnings	2.0	2.3	3.9	13.2	12.8	8.7	21.2	14.8	5.8	13.1	8.9	Price/Earnings
P/E vs. Market	—	0.1	0.2	0.6	0.7	0.5	1.3	0.9	0.5	0.7	0.5	P/E vs. Market
Price/Sales	0.3	0.3	0.4	1.3	1.1	0.7	2.0	2.1	0.7	2.3	1.6	Price/Sales
Price/Book	0.3	0.3	0.5	1.7	1.6	1.3	2.6	3.0	1.1	2.9	2.0	Price/Book
Price/Cash Flow	—	2.1	4.1	18.8	—	12.6	33.1	—	6.4	6.9	4.7	Price/Cash Flow

Quarterly Results					
	Revenue USD Mil	Dec 08	Mar 09	Jun 09	Sep 09
Most Recent Period	50.2	32.4	40.9	43.9	
Prior Year Period	42.1	23.8	40.6	44.7	
Rev Growth %	Dec 08	Mar 09	Jun 09	Sep 09	
	19.1	36.1	0.7	-1.8	
Prior Year Period	69.2	45.0	26.6	51.8	
Earnings Per Share USD	Dec 08	Mar 09	Jun 09	Sep 09	
	0.42	0.29	0.54	0.58	
Prior Year Period	0.44	0.15	0.37	0.32	

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
Jinpan International	267	167	8.9	25.7
TDK Corporation	—	7902	41.1	2.0
Koninklijke Philips	28959	66089	33.1	4.5

Major Fund Holders		
		% of shares
Heartland Value		0.24
Munder Small-Cap Value Y		0.20
Munder Micro-Cap Equity A		0.17

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
NA	NA	NA	NA	NA

*Report date represents the date on which the owner's common shares held was audited.

Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
Heartland Value	QQQ	0.24	0.10	38	30 Sep 2009
Munder Small-Cap Value Y	QQ	0.20	1.00	-2	31 Dec 2009
Munder Micro-Cap Equity A	QQ	0.17	1.22	-2	31 Dec 2009
Bridgeway Ultra-Small Company	QQQ	0.14	1.22	0	31 Dec 2009
Royce Heritage Svc	QQQQ	0.14	0.53	-10	31 Dec 2007
Concentrated Holders					
Royce Select II Invmt	QQQQ	0.01	1.87	-1	31 Dec 2009
Neuberger Berman Climate Change A		0.01	1.31	-1	31 Dec 2009
Munder Micro-Cap Equity A	QQ	0.17	1.22	-2	31 Dec 2009
Bridgeway Ultra-Small Company	QQQ	0.14	1.22	0	31 Dec 2009

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Heartland Value	QQQ	0.24	0.10	38	30 Sep 2009
DWS Climate Change A		0.04	0.40	7	31 Dec 2009

Top 5 Sellers

Munder Small-Cap Value Y	QQ	0.20	1.00	-2	31 Dec 2009
Munder Micro-Cap Equity A	QQ	0.17	1.22	-2	31 Dec 2009
Sit Developing Markets Growth	QQQ	0.02	1.07	-1	31 Dec 2009
Royce Select II Invmt	QQQQ	0.01	1.87	-1	31 Dec 2009

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Industry Focus: Computer Hardware

Hard Drive Makers Have Their Best Quarter in Years 01 March 2010

Stephen Simko, CFA
Stock Analyst

How long can the boom last?

Hard drive makers Seagate STX and Western Digital WDC reported exceptional results in the December quarter, each having their best period in years as gross and operating margins reached record levels. However, we feel the cyclical peak is approaching in 2010, and we don't believe conditions can meaningfully improve beyond what is presently baked into the share prices.

Shortages across the supply chain in the face of strong demand (particularly for laptops and netbooks) have led to peak utilization rates. This in turn has actually pushed the prices of hard drives upward, which is very atypical for the industry. Because hard drive makers slashed capacity in the face of falling demand at the end of 2008, present supply still cannot meet current market demand, and it will likely take at least six months before capacity additions come on line to balance the equation.

We believe this will translate into a very strong first half of 2010, with the potential to continue through the entire calendar year. However, we believe these peak industry

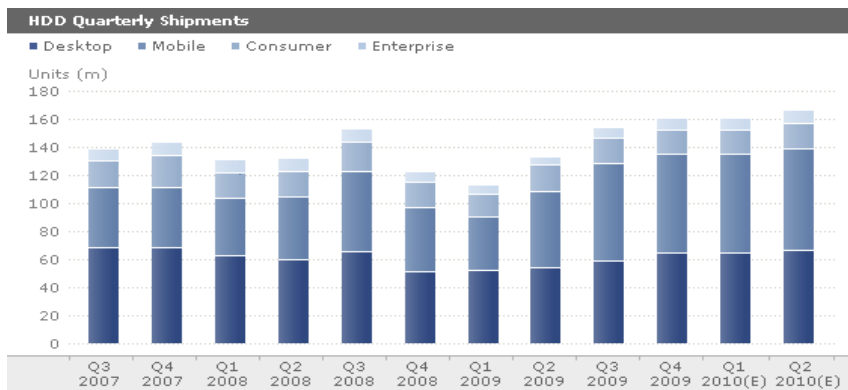
conditions are already baked into share prices for Seagate and Western Digital, as well as their component suppliers (including Hutchinson HTCH, Intevac IVAC, TDK TTDKY, and Xyratex XRTX).

In other words, with the hard drive industry at its most profitable level in years, we feel it is the wrong time to be searching for an entry point into the space.

Both Western Digital and Seagate continue to have company-specific considerations that could influence how their shares perform in the near term regardless of industry demand. Western Digital has entered the enterprise drive space, a segment it has left uncontested to this point, and one that Seagate currently dominates. Enterprise hard drives have the industry's highest margins, and we believe the market has yet to price in that Western Digital will actually be successful in this area. With Western Digital having the best execution in the industry, we expect the company will eventually enjoy success in this space.

For Seagate, management has made it a major initiative to lower operating expenses, with the current goal of consistently being in the range of 10%-12% of sales. Booming near-term conditions have pushed the company into this territory during the last two quarters, but we remain skeptical the company is ready to execute successfully at these leaner levels throughout the other phases of the industry cycle. We expect its operating margins will lag behind Western Digital over the long run.

Despite these company-specific considerations and the potential for supply shortages to persist throughout the year, we believe the current proximity to the industry cycle peak limits upside potential. We believe hard drive makers are great companies to buy when the industry news turns bad: both STX and WDC generate consistently strong cash flow



Source: Morningstar Investment Research

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Industry Focus: Computer Hardware

and will continue to hold dominant industry positions for the foreseeable future. For those interested in playing the space, patience will undoubtedly yield a more attractive entry point for both of these names further down the road.

