

April 2010

Welcome to the Nikkei NEEDS quarterly newsletter for April 2010, providing you with news on the Japanese economy and updates on Nikkei NEEDS.

We always welcome your comments and suggestions for future issues and if you have any comments please feel free to email them to e-needs@eur.nikkei.com. Alternatively, if you no longer wish to receive this in the future, please reply 'unsubscribe' to this email address.

[Nikkei 225 Index update](#)

[Improved Outlook for the Japanese Economy](#)

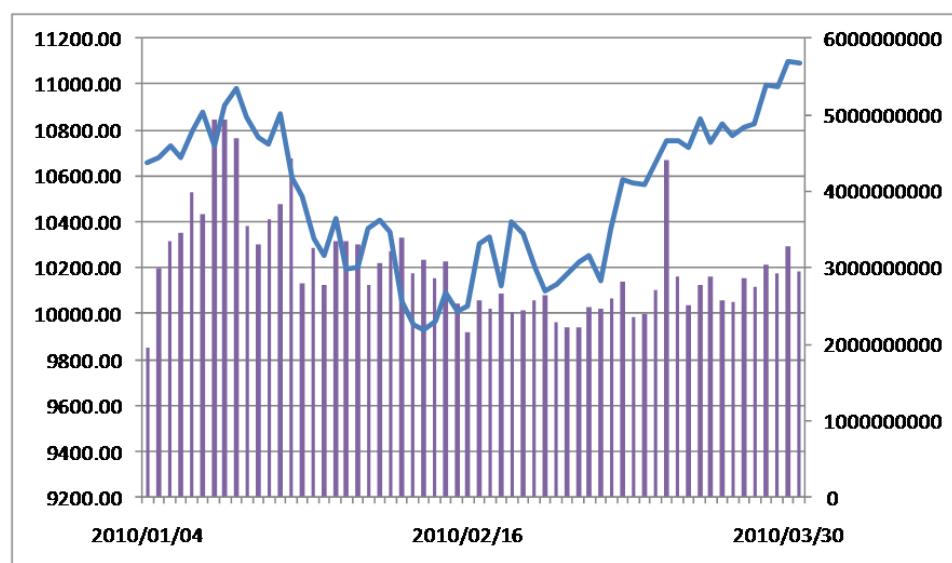
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Nikkei 225 Index Update

Nikkei 225 Close: 11,089.94 (+5.15%)



3 Month High: 11097.14
3 Month Low: 9932.90

Largest 1 Day gain: 276.89
 (22/02/2010)
 Largest 1 Day loss: -298.89
 (05/02/2010)

The Nikkei 225 finally broke through the 11,000 barrier in the last two days of the quarter, closing at its highest level since October 2008. The rise has been attributed to increased business confidence, a weaker yen and increases in other Asian markets.

There have been a number of changes to the constituents of the Nikkei indices over the past three months due to bankruptcies and the creation of holding companies.

Following the bankruptcy filing for Japan Airlines on the 19th January 2010, Nikkei announced that it was delisting JAL from the Nikkei 225, Nikkei 300 and Nikkei 500. The shares, which were worth 88 yen at the start of the year, were finally delisted from the Tokyo Stock Exchange on February 20th, a month after the announcement, with a value of 1 yen a share. Nikkei delisted Japan Airline stocks from the Nikkei Indices the day of the bankruptcy announcement with a value of 5 yen and replaced Japan Airlines with the following companies:

Nikkei 225

Central Japan Railway Company (9022) with a presumed par value of 50,000 yen. To preserve the balance of constituents in the Nikkei 225, the stock has been selected for having the highest liquidity in the same industrial class as Japan Airlines.

Nikkei 300

Izumi Co, Ltd (8273)

Nikkei 500

House Foods Corporation (2810)

Nikkei also announced a series of constituent changes at the beginning of March following announcements that several constituents will establish holding companies at the end of March. The delisted companies are:

Nikkei 225

Nippon Oil Corporation (5001)

Nippon Mining Holdings, Inc (5016)

Sompo Japan Insurance Inc (8755)

Nikkei 300

Nippon Oil Corporation (5001)

Nippon Mining Holdings, Inc (5016)

Nipponkoa Insurance Co Ltd (8754)

Sompo Japan Insurance Inc (8755)

They have been replaced with the following constituents:

Nikkei 225

Nisshin Steel Co, Ltd (5407) with a presumed par value of 50 yen. Listed on March 29th

JX Holdings, Inc (5020) with a presumed par value of 50 yen. Listed on April 2nd

NKSJ Holdings, Inc (8630) with a presumed par value of 50 yen. Listed on April 2nd

Nikkei 300

Ryohin Keikaku Co, Ltd (7453) Listed on March 29th

Nissha Printing Co, Ltd (7915) Listed on March 29th

JX Holdings, Inc (5020) Listed on April 2nd

NKSJ Holdings, Inc (8630) Listed on April 2nd

Nikkei announced in January that the Nikkei divisor has risen to 24.718 and is expected to change in early April due to the constituency changes occurring on the 2nd April.

For more information about constituent changes, please contact Nikkei Europe at s-needs@eur.nikkei.com

Improved outlook for the Japanese Economy

The Japanese government's monthly economic Cabinet Report produced its first optimistic assessment for the Japanese economy in eight months. The report stated that although the economy remained in a difficult situation, the economy has been growing steadily; boosted mainly by an increase in domestic demand, in addition to continued export growth.

This has been the first upgrade in the outlook of the Japanese economy in eight months and the government has provided a more upbeat view for economic growth compared to the February report. The Bank of Japan's April Tankan survey also showed that growth appeared to be on track, spurring the Nikkei to 11,244.40, the highest level since October 2008.

However the report was not all good news and warned that the risk of a prolonged deflationary spiral could inhibit further growth. Consumer prices fell 1.3% in 2009, which can reduce domestic consumer demand and stifle business investment as companies look to reduce debt rather than make new investments. Pressure is growing on the Bank of Japan to aggressively tackle deflation over the next few months with the view to increasing price growth by the end of the year.

Based on the article "Japan Ups Econ View for 1st Time Since July" from Nikkei.com.

NEEDS REPORT: Income Gain in the Japanese Equity Markets

The Japanese equity markets have traditionally been seen as a low income gain market that relies more on speculation and capital gains than the disbursement of dividends to shareholders. However as the following table shows, high dividend yields are possible in the Japanese equity markets and that a marked shift is occurring to provide an income gain environment more in line with American and European stock markets.

The following table showing the top 30 dividend performers in 2009 demonstrates the advantages of using NEEDS-FinancialQUEST. Using the adjusted prices available in FinancialQUEST, right value of capital gain and total return can be obtained for over 30 years. Income gain is calculated by deducting the capital gain rate from the total return to produce a table showing the highest income gain performers in 2009.

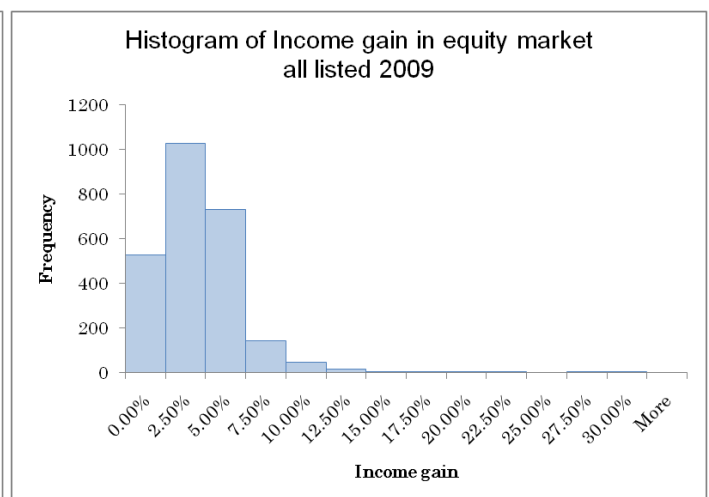
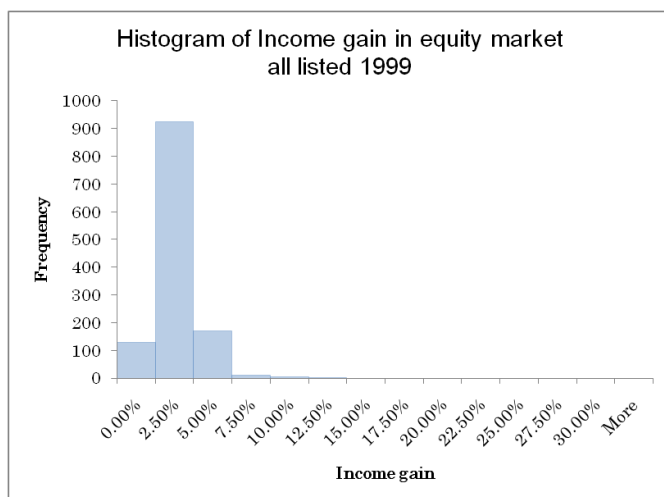
	REIT =2	Code	Close price Ex-rights adjusted		Capital gain %	Close price Ex-rights Ex-dividend adjusted		Total Return %	Income gain %
			05/01 yen	30/12 yen		05/01 yen	30/12 yen		
			NIPPON COMMERCIAL INVESTMENT	2		T3229	99300		
JAPAN SINGLE-RESIDENCE REIT	2	T8970	61500	106800	173.66%	51630	102630	198.78%	25.12%
JAPAN RENTAL HOUSING INVESTMENTS	2	T8986	76000	143700	189.08%	68413	143700	210.05%	20.97%
PROSPECT REIT INVESTMENT	2	T8969	59000	76000	128.81%	49297	73331	148.75%	19.94%
GRANDY HOUSE		T8999	17800	37000	207.87%	16431	37000	225.18%	17.32%
FOSTER ELECTRIC		T6794	697	2745	393.83%	668	2745	410.93%	17.10%
GULLIVER INTERNATIONAL		T7599	1544	6480	419.69%	1476	6420	434.96%	15.27%
BLIFE INVESTMENT	2	T8984	183500	409000	222.89%	172192	409000	237.53%	14.64%
AIT		T9381	391	711	181.84%	357	700	196.08%	14.24%
ALCONIX		T3036	1705	3410	200.00%	1592	3410	214.20%	14.20%
JOINT REIT INVESTMENT	2	T8973	123500	182100	147.45%	113087	182100	161.03%	13.58%
ENDO LIGHTING		T6932	189	350	185.19%	177	350	197.74%	12.55%
SK JAPAN		T7608	174	309	177.59%	159	302	189.94%	12.35%
TOSHIN		T9444	1880	4240	225.53%	1785	4240	237.54%	12.00%
FUKUOKA REIT	2	T8968	371000	486000	131.00%	329098	470025	142.82%	11.82%

YURAKU REAL ESTATE		T8838	116	294	253.45%	111	294	264.86%	11.42%
FC RESIDENTIAL INVESTMENT	2	T8975	137500	200000	145.45%	127523	200000	156.83%	11.38%
LEC		T7874	1025	1890	184.39%	966	1890	195.65%	11.26%
UNITED URBAN INVESTMENT	2	T8960	359000	490000	136.49%	332287	490000	147.46%	10.97%
GAKKEN HOLDINGS		T9470	135	235	174.07%	127	235	185.04%	10.97%
MID REIT	2	T3227	170000	196300	115.47%	155344	196300	126.36%	10.89%
HOKUETSU METAL		T5446	165	248	150.30%	154	248	161.04%	10.74%
TOKAI RIKA		T6995	783	2085	266.28%	753	2085	276.89%	10.61%
FIRST JUKEN		T8917	137	638	465.69%	134	638	476.12%	10.43%
INVINCIBLE INVESTMENT	2	T8963	17240	18300	106.15%	15702	18300	116.55%	10.40%
KYOKUTO SECURITIES		T8706	443	727	164.11%	417	727	174.34%	10.23%
NIHON ESLEAD		T8877	500	795	159.00%	470	795	169.15%	10.15%
PREMIER INVESTMENT	2	T8956	274300	304000	110.83%	251293	304000	120.97%	10.15%
SOFTWARE SERVICE		T3733	580	1210	208.62%	554	1210	218.41%	9.79%
CRESCENDO INVESTMENT	2	T8966	104900	117600	112.11%	96493	117600	121.87%	9.77%

Because of the nature of REITs (Real Estate Investment Trusts) they are required to distribute 95% of their profits to shareholders in return for the benefit of corporate tax exemption. As you can see from the table there are 13 REIT issues in the top 30 entries.

However some common share issues also have very high total returns. Foster Electric (6794) is listed in the 1st Section of the Tokyo Stock Exchange and had a total return of 410.93% over the course of 2009. Foster Electric is a home electronics manufacturer that has made a name for itself producing the headphones for companies such as Apple and Nokia; it increased its market in Korea last year when it purchased a Korean subsidiary in March and has since had large interest from car and other electronic companies in Korea. The dividend returns for Foster Electric were also very high at 17.10%.

Gulliver International (7599) also posted very high returns, 434.96% and a dividend yield of 15.27% after it increased its profits 2.4 times in the period March to November due to high performance of a used car business it established over the Internet.

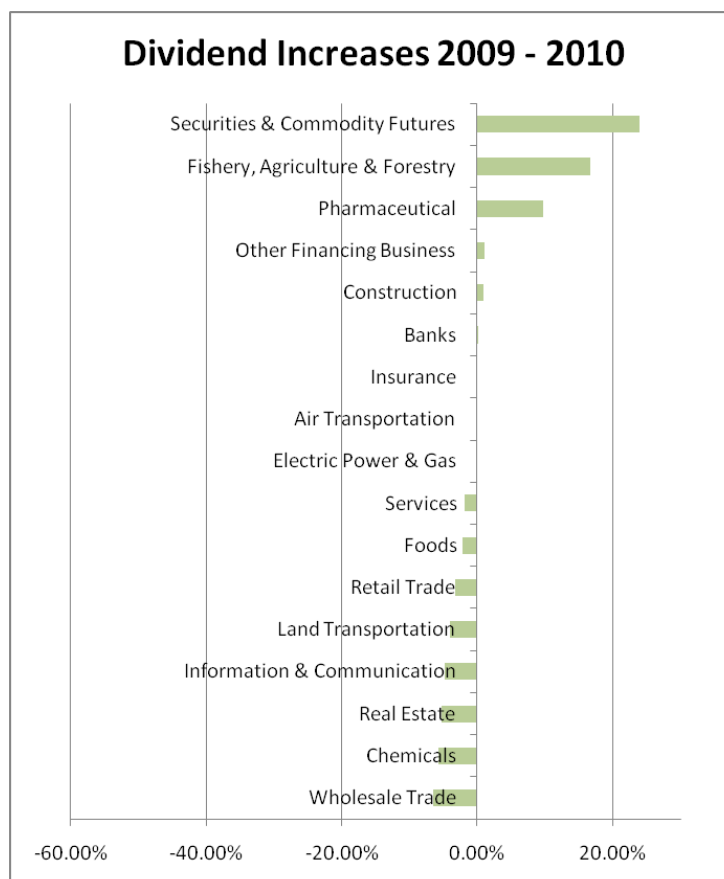


Over the past ten years it is clear to see that dividend yields in the Japanese equity markets have made a definite shift to become more competitive with Western Markets in America and Europe. This trend can be seen continuing in the Earning Estimates data released by companies and available through FinancialQUEST. It is possible to compare the historical dividend results with company estimates of dividends for the coming months.

The table below shows dividend increases of over 350% on the previous year, Beauty Kandan (3041) plans to increase its dividend from 345 yen per share to 1213 yen per share this year.

		Dividend (Lower Limit) yen	Dividend (Upper Limit) yen	Dividend P+1	Dividend (Lower Limit) yen	Dividend (Upper Limit) yen	Dividend P	P+1/P
BEAUTY KADAN	T3041	1213	-	1213	345	-	345	351.59%
KYORIN	T4569	45	-	45	13	-	13	346.15%
NACHI-FUJIKOSHI	T6474	1.5	5	5	1.5	-	1.5	333.33%
J TRUST	T8508	10	-	10	3	-	3	333.33%
MIZUHO SECURITIES	T8606	10	-	10	3	-	3	333.33%
FIRST JUKEN	T8917	20	-	20	6	-	6	333.33%
NEXT	T2120	640	-	640	210	-	210	304.76%
KYOKUTO SECURITIES	T8706	60	-	60	20	-	20	300.00%
IIDA HOME MAX	T8880	30	-	30	10	-	10	300.00%
ASAHI INTECC	T7747	22.5	-	22.5	8	-	8	281.25%
FULL SPEED	T2159	800	-	800	300	-	300	266.67%
CROOZ	T2138	2250	-	2250	900	-	900	250.00%
CYBOZU	T4776	103	-	103	43	-	43	239.53%
G-7 HOLDINGS	T7508	22	-	22	10	-	10	220.00%
YAHOO JAPAN	T4689	279	285	285	130	-	130	219.23%
YAMABIKO	T6250	30	-	30	14	-	14	214.29%
SEKISUI HOUSE	T1928	21	-	21	10	-	10	210.00%
SAKATA SEED	T1377	20	-	20	10	-	10	200.00%
DAIWA ODAKYU CONSTRUCT	T1834	10	-	10	5	-	5	200.00%
TOYO CONSTRUCTION	T1890	1	-	1	0.5	-	0.5	200.00%

Although there were issues with large dividends, when compared across all industrial sectors, dividends in 2010 fall by 9.52% compared to last year. The following chart shows the dividend increases for 2010 compared to 2009 by industrial sector, with Securities companies on average increasing their dividends 23.9% on 2009 levels.



The Marine transportation sector has the deepest cuts to dividends, with average dividends falling 55.62% in 2010.

NEEDS (Nikkei Economic Electronic Databank System) has huge coverage of essential data from corporate fundamentals, equity & fixed income market to macro economic statistics. NEEDS can provide macroeconomic data and financial data for sectors so that sector analysts can research companies to the sector standard. FinancialQUEST allows users to pin point the exact data they need to gain accurate insights to the Japanese markets.

For further information or questions, please email e-needs@eur.nikkei.com.

Jun Hirakawa
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SPECIAL REPORT: Firms cool to new Rights Issues

Practice allows fund-raising without shareholder rights dilution; companies balk at time, cost

The Tokyo Stock Exchange has introduced "rights issues," which enable companies to raise capital by allocating equity warrants, rather than new shares, to existing shareholders and thus does not harm their rights.

The fund-raising practice is expected to improve the image of capital increases, which are often regarded as a culprit when stock prices fall.

But no companies have resorted to the practice yet because it takes a lot of time and involves complicated procedures before the funds can be raised.

For a rights issue, a company allocates equity warrants or rights to existing shareholders without charge. Shareholders buy new shares from the company if they opt to exercise the rights.

European companies often use the method for large-scale capital increases. In 2009, rights issues accounted for some 60% of capital increases totalling the equivalent of 24 trillion yen (\$263.7 billion).

Like a public offering of new shares, a rights issue increases the number of shares and so dilutes per-share earnings. But shareholders can keep their ownership intact if they exercise the rights, that is, earnings and voting rights "per shareholder" remain unchanged.

If shareholders decide not to exercise the rights, they can compensate for a dilution of per-share earnings by selling them on the stock exchange.

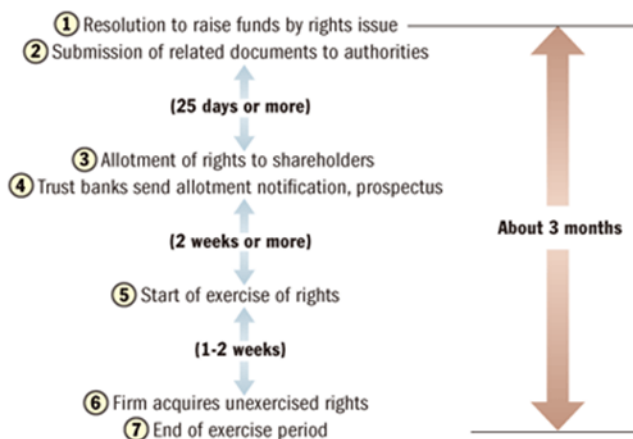
Investor views

As rights issues enable existing shareholders to clearly express their views on a capital increase by a company they have invested in, they are a "better fund-raising method than public share offerings," said Toshiaki Oguchi, representative director of Governance for Owners Japan KK, the Tokyo unit of Governance for Owners LLP, a British shareholder rights advocacy for pension funds and other investors.

But problems related to the practice have come to light as its details, such as related legal requirements and necessary paperwork, become apparent.

Time sink

Flowchart of rights issue process



Many companies, including Elpida Memory Inc., are calling for shortening the time before raising capital after deciding on a rights issue.

Under the current system, three months or so are needed to raise capital as an issuer must clear requirements under the corporate law and the Financial Instruments and Exchange Law, while a company can procure funds in about three weeks if it issues new shares to the public. The difference is vital to companies in need of funds.

Naohiko Matsuo, a former Financial Services Agency official and now a lawyer with law firm Nishimura & Asahi, presented an opinion in writing to the FSA, calling for shortening the period between the submission of a securities registration statement by a company and the date of determining shareholders eligible for the allocation of equity warrants from 25 days, as set by the financial instruments law, to 14 days.

Fund-raising through rights issues may also become costlier. A company that conducts a rights issue needs to send a securities prospectus to all shareholders when it issues new shares, a requirement unaccompanied by public share offerings.

Sending the prospectus is estimated to cost an additional 100 million yen for a company with 100,000 shareholders and nearly 500 million yen for those with 500,000 shareholders. The cost is higher than for European companies, which are required to do no more than disclose their prospectuses via the Internet.

Underwriting officials at securities houses are kept busy answering inquiries about rights issues from companies. But when inquirers are informed of details, including an increase in fund-raising costs, most of them back off, said one such official.

Rights issues are considered too time-consuming for companies in need of funds. But some experts point out that the time needed for the practice is too short for individual investors.

"I wonder if individual investors could properly exercise the rights," an official in charge at a major trust bank said, looking at a flowchart of rights issues.

Shareholders who decide to exercise the rights visit a brokerage house to make the necessary arrangements. In view of the amount of paperwork required by the corporate law and the Tokyo bourse's rules, a period in which the rights can be exercised is likely to be no longer than one to two weeks, the trust bank official said.

A tender offer sets aside at least 20 business days for shareholders to tender their holdings. In Britain, where rights issues are widely practiced, shareholders are allowed to exercise their rights for two to three weeks.

In Japan, where fund-raising through rights issues has just been introduced, one to two weeks is so short for shareholders that they may be unable to exercise the rights and thus lose them, many experts warn.

Shareholder flood

Furthermore, if a company with more than 100,000 shareholders resorts to the practice, brokerages will be flooded with shareholders wishing to take the procedure.

Securities companies are studying whether they can handle such cases through ordinary clerical work. But "we would be unable to spare time for other work" in such a situation, an official said.

There is another factor that makes brokerage houses unenthusiastic about rights issues.

Shareholders arrange to exercise rights at the securities companies where they have their accounts. Though the necessary procedures are handled by not only lead and co-managers of rights issues but also other securities companies, the latter may earn no commissions.

In contrast, foreign securities houses, especially those that have no retail operations for individual investors, are actively promoting rights issues because they can earn huge commissions without engaging in clerical work if they lead manage rights issues.

The securities industry has just started working to create a system in which rights issuers pay fees to brokerage houses that handle procedures for exercising the rights for the sake of shareholders.

On Feb. 16, the Japan Securities Dealers Association called on the government to ease regulations for rights issues through a Web site set up by the government to receive policy proposals and opinions from the public, kicking off actual work toward related legal revisions.

Rights issues are touted as a fund-raising practice that does not dilute "per-shareholder" value of shares. But as long as they are unfriendly to users, expectations that they will contribute to the protection of shareholder rights may be unfounded.

Staff Writer Yusuke Matsuzaki

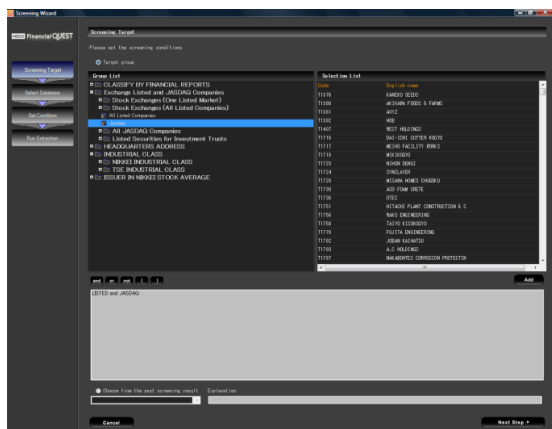
1st March 2010 Nikkei Weekly, original article from Nikkei Veritas.

Focus on Financial QUEST Advanced Features: Screening Wizard

[Financial QUEST 2.0](#), Nikkei's popular online data download service contains some advanced features that enable users to search for target companies based on search criteria from other databases using the Screening Wizard.

For instance, with the screening wizard it is possible to download income data for companies who had their IPO in a certain year, companies that have the largest total returns over a certain period or that had just crossed their MACD line. The large number of databases in Financial QUEST mean that it is possible to screen data based on almost any criteria.

The Screening Wizard is found in the Target Selection page in the download process by selecting 'Screening and Sorting' from the boxed options in the top left of the screen. The 'Start Screening' button will open the window below. This tutorial will show the screening for selecting companies that have crossed their MACD (Moving Average Convergence Divergence) line on today's date.



25 day moving average'

You can add conditions to this, so for instance if you wanted to screen by companies where the ratio was larger than 0, you can enter this here. The next condition we need uses the same item but this time for the previous day's value, we can add a '[-1]' to the end of the setting item's code: STOCK'S0.CPRCDVG25.

1. Target Search. Here we have selected all Listed and JASDAQ companies using the target selection buttons and the logic buttons to set conditions.

2. Database Screening. Because FinancialQUEST allows you to search in multiple databases simultaneously, you can select which database you want the search to be conducted in, for instance searching by stock price and attributes.

3. Conditions. In the next screen the conditions can be added using the data items in the Stock Price and Indicators database. Here we have selected the 'Daily Indicators – Consolidated basis' and then select 'Ratio of Divergence to

This value should be less than 0 so that the program only selects those companies that have crossed from below 0 to above 0 over the day.

4. Data Extraction. After clicking the next step button, set the date in the Run Extraction window and the program will automatically screen for companies that match the criteria and take you back to the main Financial QUEST window to continue with the data download based on the screened companies.

The screening wizard allows you to run complex extraction and screening functions quickly and easily, saving time and saving you the hassle of downloading large amounts of data to run your own extractions in MS Excel.

If you would like to receive more information about Financial QUEST, or an online demonstration, please contact a Nikkei Representative.

This Newsletter was created using NEEDS Data. For further information on NEEDS SPOT, NEEDS BULK or NEEDS Financial QUEST, please visit our [homepage](#) or contact a member of Nikkei Europe.

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