

NEEDS REPORT

October 2011

Welcome to the Nikkei NEEDS quarterly newsletter for October 2011, providing you with updates on NEEDS services, reports and information on the Japanese economy. In this edition we look at changes to the constituents of the Nikkei 225/300, total return of the Nikkei 225, and about amortisation of goodwill.

We always welcome your comments and suggestions for future issues. If you have any comments please feel free to email them to e-needs@eur.nikkei.com.

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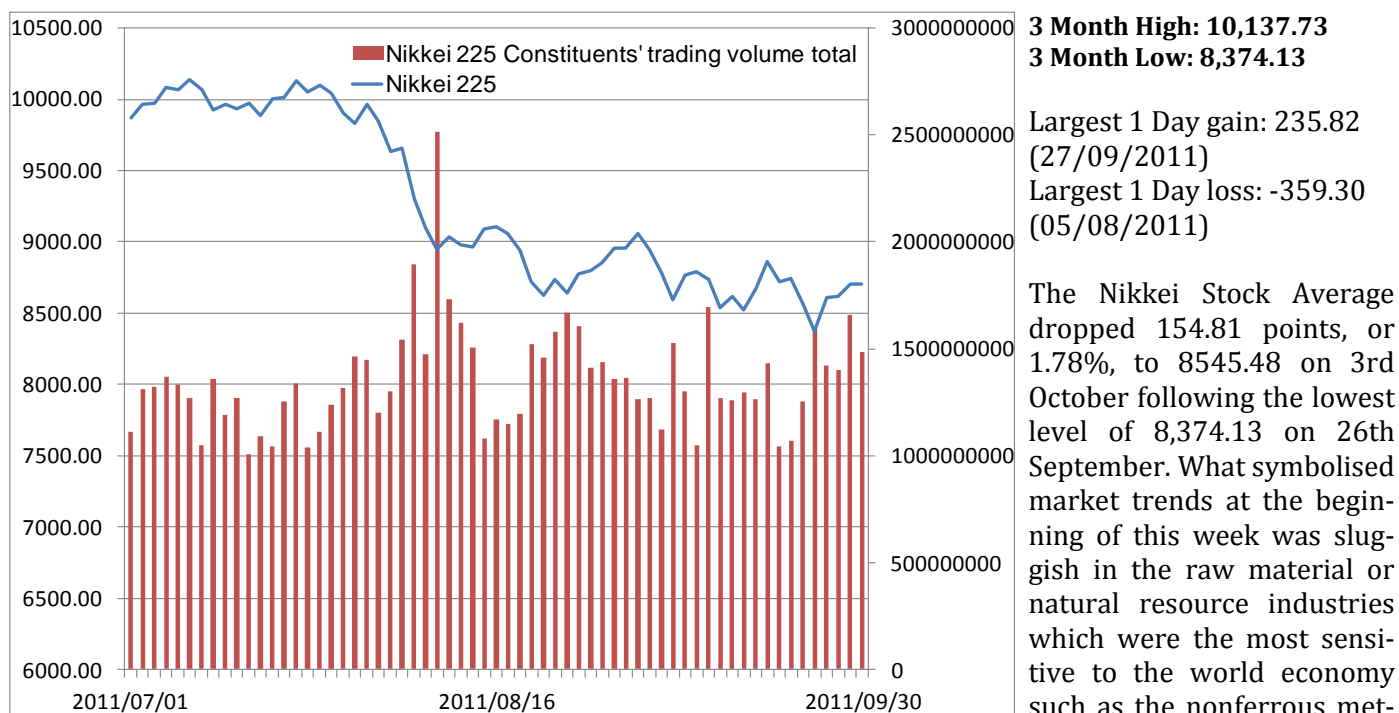
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Investors focused more on external factors rather than internal

Nikkei 225 Close: 8545.48 (-1.78%)



On 3rd October swift falls in European and U.S. stocks on Friday last week followed the Asian markets which resulted in the lowest hit in Hong Kong and Singapore. "There is a rooted sense of wariness that global investors will withdraw capital from Hong Kong," said one of the local brokerages. As for China, "Concerns about the uncertainty in the outlook for European and U.S. economy as well as weakness in DI affected by tightening will put pressure on stock prices in China." said one of the strategists in Japan.

In Japan, the results of the Bank of Japan's Tankan survey, which showed that business sentiment among the country's large manufacturers rebounded to 2 in September compared with minus 9 in the previous June's survey. This drew little attention from market players, dealers said, but it remains cautious against slows in external demand due to the pessimistic outlook over supply and demand conditions for products overseas.

Nikkei Europe demonstrates at the Online Information 2011

29 November - 1 December at National Hall, Olympia and Conference Centre

We are pleased to announce that for the second year Nikkei will be attending the **Online Conference on 29th November – 1st December**. The event will be taking place at the **National Hall, Olympia and Conference Centre, Hammersmith, London, W14 8UX, UK**.

At **stand number 262** our representatives from the E-Media Department will be conducting demonstrations for our NEEDS products and Nikkei Telecom 21. This is a great opportunity for you to view all the features Financial Quest has to offer. It will also be a great opportunity for us to get to meet you and to hear your opinion on NEEDS. At the event we will be giving out Free Financial Quest trials, so please do not miss this chance to try our products.

We look forward to meeting you at the Online Information event.

Japan Firms On M&A Binge Abroad

Pick up from Nikkei.com - <http://e.nikkei.com/>

TOKYO (Nikkei)--Spurred by the strong yen, Japanese companies spent some 3 trillion yen on mergers and acquisitions targeting overseas businesses in the April-September period, up 120% from a year earlier.

The number of such deals also jumped, by 30% to 236, according to M&A advisory firm Recof Corp. Ample cash as well as the stubborn economic slump and the dwindling population in Japan are also fueling the fervor, which has hit not only global companies but also domestic-demand-driven and midsize businesses. In value terms, the six-month figure comes close to the April-September level of 2008. Japanese firms rode a similar wave in overseas M&As at the tail end of the bubble economy in the 1980s, as well as around 2000, during the time of the information technology bubble.

A sense of crisis requiring them to tap growth in emerging countries and other overseas markets is a common thread among Japanese firms engaging in overseas M&As, according to Merrill Lynch Japan Securities Co. The political chaos after the March 11 disaster is also seen as driving such deals. Takeda Pharmaceutical Co. (4502) abandoned its debt-free status and borrowed heavily to acquire major Swiss drugmaker Nycomed.

Among domestic-demand-oriented firms, JS Group Corp. (5938) has made a deal to buy major Italian building materials producer Permasteelisa SpA for 63 billion yen. Second-tier companies are also chasing deals, with housing materials maker Aica Kogyo Co. (4206) entering the Indian market by purchasing the melamine laminated sheet business of local firm Bombay Burmah Trading Corp.

Even as the global economic outlook becomes increasingly unclear, Japanese companies are flush with cash. Nearly 50% of listed firms are operating effectively debt-free, with their cash reserves exceeding their interest-bearing debt.

The historic strength of the Japanese currency and the sluggish stock prices of foreign firms are also enabling Japanese companies to hold down M&A costs. In addition, Japanese banks are actively providing loans for overseas M&As. Even the Japanese government is encouraging domestic firms to acquire foreign businesses as part of measures to curb the yen's strength.

(The Nikkei Sept. 30 morning edition)

<http://e.nikkei.com/> (Nikkei.com) delivers round-the-clock business news on Japan in English.

Regarding the Stock Split of T&D Holdings in Nikkei 225

T&D Holdings, Inc. (8795), a Nikkei Stock Average (Nikkei 225) constituent, executed a stock split of 1 to 2. From its ex-right date of September 28, Nikkei Inc. changed the presumed par value of T&D Holdings from 500yen to 250yen in line with its ratio of split. Since the price level of T&D Holdings in Nikkei 225 stays the same, the divisor wasn't changed by this split.

Nikkei 225 and Nikkei 300 Constituent Changed due to Corporate Restructuring

Nikkei Inc announced that a number of the constituents of the Nikkei 225 and Nikkei 300 stock indices were delisted following corporate restructuring on 4th August. Nikkei conducted its annual review of constituents earlier than in previous years to rebalance the indices. Nikkei index data reflected these changes automatically.

Mizuho Trust & Banking (8404) and Mizuho Securities (8606) became wholly owned subsidiaries of Mizuho Financial Group and were delisted on August 29. They were replaced by Aozora Bank Ltd (8304) with a presumed par value of 50 and Sony Financial Holdings (8729) with a presumed par value of 250. CSK Corp (9737) was merged with Sumitomo Computer Systems Corp and was delisted on September 28 and replaced with Amada Co (6113) with a presumed par value of 50.

On September 28th the presumed par value of NKSJ Holding (8630) changed from 50 yen to 200 yen due to a 4 to 1 reverse stock split. This change took place on the ex rights date which was 28th September not on the effective date 1st October.

On August 29, Mizuho Trust and Banking and Mizuho Securities were delisted from the Nikkei 300 and replaced by Mitsubishi Tanabe Pharma Corp (4508) and The Joyo Bank (8333). On September 28 CSK Corp and Taisho Pharmaceutical Co (4535) were delisted. CSK Corp was replaced with DeNA Co (2432) while Taisho Pharmaceutical Co was restructured into Taisho Pharmaceutical Holdings which would be added to the Nikkei 300 on October 4th. Between September 28 and October 4, the Nikkei 300 will be calculated with 299 constituents.

Summary of Changes - Nikkei 225

Date	Code	Addition	Code	Deletion
Aug 29	8304	Aozora Bank (50)*	8404	Mizuho Trust & Banking Co
	8729	Sony Financial Holding Inc (250)*	8606	Mizuho Securities Co
Sep 28	6113	Amada Co (50)*	9737	CSK Corporation
	8630	NKSJ Holding (Presumed Par Value change from 50 yen to 200 yen)		

*Presumed Par Value

Summary of Changes - Nikkei 300

Date	Code	Addition	Code	Deletion
Aug 29	4508	Mitsubishi Tanabe Pharma Corporation	8404	Mizuho Trust & Banking Co
	8333	The Joyo Bank	8606	Mizuho Securities Co
Sep 28	2432	DeNA Co	4535	Taisho Pharmaceutical Co
		(None)	9737	CSK Corporation
Oct 4	NA	Taisho Pharmaceutical Holdings Co		(None)

Please direct any queries regarding this information to the s-needs@eur.nikkei.com at Nikkei Europe.

NEEDS Report: Nikkei 225 Total Return Calculation Methodology

The Nikkei 225 has been used as a barometer to measure the performance of the Japanese economy since it was first calculated in 1950. Since then it has become one of the most widely recognised stock market indices in the world. Calculated by Nikkei Inc, the parent company of Nikkei Europe, the Nikkei 225 is a price weighted average of 225 of the most liquid companies in the 1st section of the Tokyo Stock Market considering appropriate weight on each sector.

The constituents are recomposed when some of them go bankrupt, are delisted or consolidated by merger and abolition and are reviewed on an annual basis to maintain a balanced representation of the key industries of the Japanese economy.

Licensing for the Nikkei 225 consists mainly of data subscription, redistribution and product use. Nikkei Europe provides data subscription but the redistribution or product use of the Nikkei 225 (using it in such as an index fund, ETF or index-related bond) requires direct licensing from Nikkei Inc. Tokyo (Please contact index@nex.nikkei.co.jp for the direct license).

Using the Nikkei 225 just as a benchmark inside a contracting party doesn't need any licenses but data subscription is needed to receive Nikkei 225 updates timely. For the data subscription please contact us at s-needs@eur.nikkei.com.

Detailed data of the Nikkei 225 is available in "Basic Data Files for Nikkei Stock Average Calculations" of the NEEDS-BULK/FDS or NEEDS-FinancialQUEST line-up. **Table: A** shows the key items available in a file of the NEEDS-BULK/FDS.

Some items may need explanation. Please refer to the definitions below.

- Table: A

No.	item
5	Record Type
6	Security Code
37	Data 05 : Stock Price for Calculation of Index on Current Business Day
39	Data 07 : Weight on Current Business Day
43	Data 11 : Divisor on Current Business Day
50	Data 18 : Index Data on Current Business Day
54	Data 22 : Base Price on Current Business Day
55	Data 23 : Dividend on Current Business Day

* Data format of the "Basic Data File for Nikkei Stock Average Calculations" from the NEEDS-BULK/FDS service

Data 07 : Weight on Current Business Day

This can be defined as **(50000 ÷ presumed par value)**. Since the Nikkei 225 is a price weighted index, it is calculated by adjusting the stock's par value to the base rate of 50 yen. The par value system was abolished by the commercial law on 1st of October 2001, however Nikkei has continued using this valuation method to calculate the index. The Weight on Current Business Day is applied based on the presumed par value units as shown in a next page.

The Weight on Current Business will be:

- 50 yen par value: Weight on Current Business Day = 1000
- 500 yen par value: Weight on Current Business Day = 100
- 5000 yen par value: Weight on Current Business Day = 10
- 50000 yen par value: Weight on Current Business Day = 1

You can use these values to calculate each constituent's weight, If there are 5 stocks - P1, P2, P3, P4, P5 and each individual stock has a Weight on Current Business Day of 1000, 1000,100,1,10, the weight given to P1's price is calculated as shown below.

$$e.g. \text{ Weight of } P1 \text{ in } P1 \text{ to } P5 = \frac{P1 \times 1000}{P1 \times 1000 + P2 \times 1000 + P3 \times 100 + P4 \times 1 + P5 \times 10}$$

Data 05 : Stock Price for Calculation of index on Current Business Day

There is priority for the stock price to calculate the Nikkei 225. The priority is as follows. 1: Current special quotation (Closing special quotation), 2: Current price (Closing price), 3: Standard price. The Standard price is defined as next priority order. 1: Theoretical price of ex-rights, 2: A special quotation of the previous day, 3: Closing price of the previous day. Therefore if there is the current special quotation, it is adopted. If not, the current price (closing price) is the next candidate. If there is no special quotation and traded price, the ex-rights adjusted price comes next, If there were no ex-rights events, quotation price of previous day comes. If all these prices don't exist, the last choice will be closing price of the previous day. If the previous day doesn't have these prices, then go back the day before the previous day. Repeat the same thing until price can be adopted.

To calculate total return of each constituent needs the price factor and dividend factor. All factors are:

P_t : Stock price of current day

D_t : Dividend of current day

P_{t-1} : Stock price of the previous day

And its formula is:

Total return of each constituent = $(P_t + D_t) \div P_{t-1}$

Data 22 : Base Price on Current Business Day

P_t is the above-mentioned Data 05. P_{t-1} is not the Data 05 of the previous day. Because if ex-rights event happened, it followed price changes which wasn't caused by supply and demand of the market. To calculate the total return it is very much important to exclude such changes caused by factors outside the market and set the price level even between before and after the ex-rights event. Therefore P_{t-1} should be an adjusted price which is provided as Data 22 : Base Price on Current Business Day in the file.

Data 23 : Dividend on Current Business Day

Data 23 Dividend on Current Business Day is not D_t of the above-mentioned formula. To calculate the D_t , use the next method.

Dividend per share adjusted by presumed per value

= (Data 23 : Dividend on Current Business Day \times Data 07 : Weight on Current Business Day) \div 1000

Now you can get total return of each constituent by the items and method above.

Nikkei doesn't calculate a total return index of the Nikkei 225. Generally speaking, the total return index must be calculated in the way which its income gain is factored into its divisor like other indices do. But using items in the NEEDS-BULK/FDS "Basic Data Files for Nikkei Stock Average Calculations", we can calculate its total return (not the total return index) which is the same concept as the total return of each constituent as mentioned above.

The items and method to calculate the Nikkei 225 total return are as follows.

P^*_t : Data 18 : Index Data on Current Business Day

D^*_t : Σ (Dividend per share adjusted by presumed per value) \div Data 11 Divisor on Current Business Day

P^*_{t-1} : Data 18 : Index Data on Current Business Day of the previous day

Total return of the Nikkei 225 = $(P^*_t + D^*_t) \div P^*_{t-1}$

Original return of the Nikkei 225 without income factors = $P^*_t \div P^*_{t-1}$

After we get the total return value from the items and method above, we can calculate an implied index of the Nikkei 225 total return which can be refereed in a chart attached.

(Calculation period is from 04/01/2006 to 30/06/2011).

In Japan the ex-rights (ex-dividend) date is three days before the date of right allotment. As most companies have its fiscal year starting from April, the data of right allotment becomes the end of March. (Until 2009 it was four days before the date of right allotment). Having a look at how much the income factor contributed, difference between the original return and the total return of the Nikkei 225 was 95.92 bp on 26/March/2009, 66.10bp on 29/March/2010 and 89.71 bp on 29/March/2011.

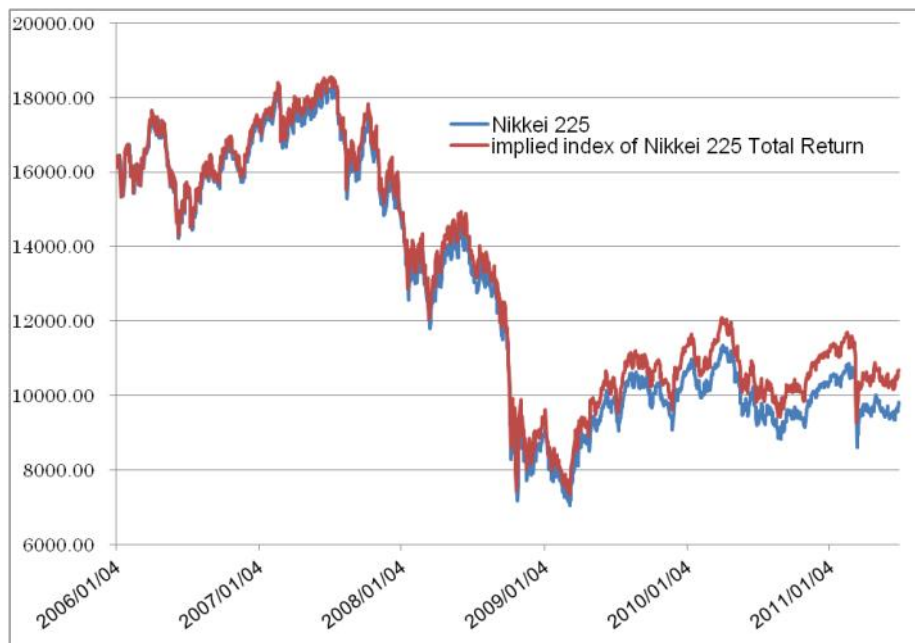
The same method is available for the Nikkei 300 result of which you can see below. The Nikkei 300 is a market capitalization weighted index. "Basic Data Files for Nikkei Stock Average Calculations" of Nikkei 300 version also contains income gain factors to calculate total return. This chart shows implied index of the Nikkei 300 total return. (Calculation period is from 04/01/2000 to 17/06/2011).

Income gain factor is 116.09 bp on 26/March/2009, 86.99 bp on 29/March/2010 and 105.81 bp on 29/March/2011 in the Nikkei 300 total return calculation.

The "Basic Data Files for Nikkei Stock Average Calculations" available in the NEEDS-BULK/FDS separates into two types of file - data for current day and data for the next business day. The former contains information for the current day only. If any changes will take place in any constituents or a divisor towards the next business day, the latter provides the update information for preparation before the market opens. A user who wants both information needs to subscribe both files. "Basic Data Files for Nikkei Stock Average Calculations" of Nikkei 300 version contains both information in one file.

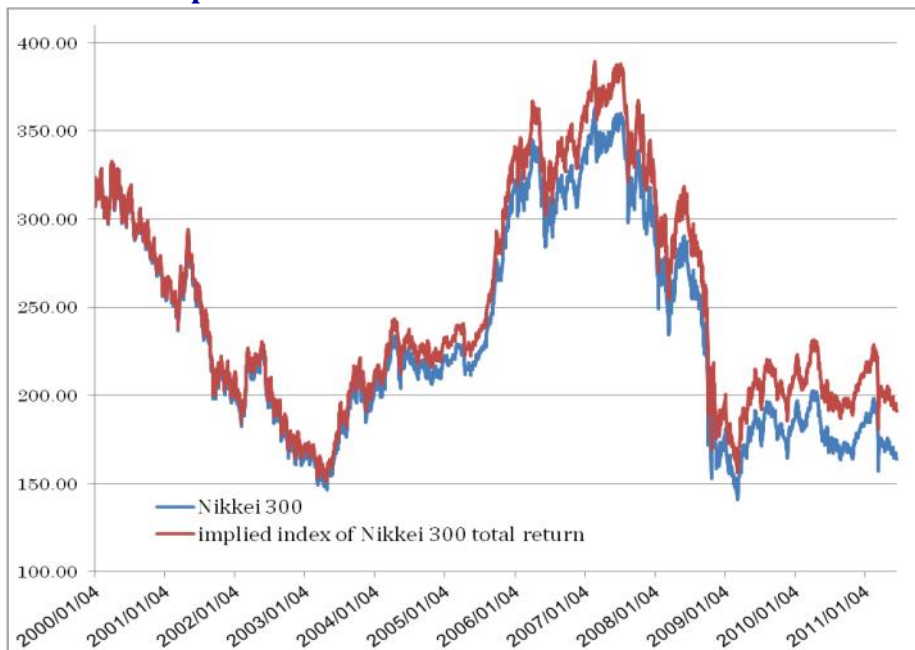
We have Japanese securities pricing data, earnings & dividend estimates data, corporate action data as well as financial statements data for you to analyse investment climate and details in Japan.

Nikkei 225 and Implied Index of the Nikkei 225 total return



Source: NEEDS-BULK/FDS Nikkei 225 Basic Information Data

Nikkei 300 and Implied Index of the Nikkei 300 total return



Source: NEEDS-BULK/FDS Nikkei 300 Basic Information Data

If you have interest in using these data, please contact us at s-needs@eur.nikkei.com.

Amortisation of Goodwill in Japan: Calculating Goodwill

It is natural to assume that as a result of the rise in mergers and acquisitions, goodwill has gained a prominent role in the evaluation of company earnings. The burden that the amortisation of goodwill bears on the depreciation expense when comparing EBIT to EBTIDA can offer some precious insight with regards to the impact that the amortisation of goodwill can have on company earnings. However, this assumption does not seem to hold for Japanese companies. Conversely, NEEDS data shows that goodwill, when added to our EBITDA figure, was either nonexistent or carried a very marginal value. This could arguably be a result of the regulatory framework the companies are subjected to, or to the lack of mergers and acquisitions in recent years.

Goodwill Definition and the Regulatory Framework

In the case of a merger or an acquisition, goodwill is defined as the price difference between the fair value of the acquired company's net asset value and the price paid to acquire the company. As a result of the company law of 01/05/2006, goodwill needs to be disclosed as an independent accounts title. Before then, the entry was sorted as consolidation of goodwill (consolidated account adjustment) in the consolidated balance sheet, and on the unconsolidated basis, goodwill was sorted as a commercial right or profit from amalgamation.

In NEEDS, **D01106** represents the old Amortisation of Consolidated Account Adjustment [Cumulative Total (from the beginning of the financial term)] which is the amortisation of the current financial term (if it is in the credit side the value becomes negative). Furthermore, **E01106** indicates the old Amortisation of Consolidated Account Adjustment [Quarterly].

This method was used to record goodwill until April 1999. After this, there were some variations as to how these items were sorted, these changes are explained below.

Acquisition price > Value of the acquired company's net asset values (common case)

Positive goodwill is reflected as trust in the acquired company's brand; since the company's net assets are bought at a premium, the acquisition price will be greater than the market value of the acquired company's net assets. The price difference is treated as an intangible fixed asset and it is recorded in the financial statements in the B/S ([Consolidated Balance Sheet or Balance Sheet]) In Japan this was treated as a depreciable asset. This changed in 2006, when regulations prohibited companies from amortising goodwill in a single year. With this respect, Japanese GAAP differed from international accounting policies, forcing companies to adopt a regular amortisation schedule (goodwill must be amortised on a regular basis within the **20 years** that its value is expected to last).

The amortisation cost for each period is included in **K01078** or **K01097** [Sales, General and Administrative Expenses]. (However, companies are not required to disclose the amortisation of goodwill, if the net amount does not exceed 5% of total expenditures in the Sales, General and Administration Expenses). In NEEDS the related items are available as shown below. Please note that the amortisation period is **WITHIN** the 20 years and is not fixed to 20 years. This inevitably leads to each company varying the period of time used to spread amortisation.

(NEEDS also prepares **D01061** and **E01061** for the case of disclosure sorted in P/L (Profit and Loss Statement or Consolidated Profit and Loss Statement)).

Goodwill in the NEEDS-Financial Quest

B01079 Goodwill [Consolidated Balance Sheet (Assets)] Records available from **Feb 1999**

K01078 Amortisation of Goodwill [Sales, General and Administrative Expenses (Cumulative Total from the beginning of the financial term)] Records available from **March 1998**

K01097 Amortisation of Goodwill [Sales, General and Administrative Expenses] [Quarterly] Records available from **June 2002**

D01061 Amortisation of Goodwill [Profit and Loss Statement (Cumulative Total)] Records available from **March 2000**

E01061 Amortisation of Goodwill [Profit and Loss Statement (Quarterly)] Records available from **June 2004**

Acquisition price < Value of the acquired company's net asset values

If the net asset value of the acquired company is lower than the purchasing price, instead of thinking that “the buyer made a gain by acquiring a company at a bargain price”, it is more accurate to think that there is a negative premium attached to the company, “Some hidden negative condition that is not reflected in the entity's net asset value”, “An undervalued company with no buyers can be compared to a joker in a game of Old Maid.

Negative goodwill in principle, is not recorded in the **B/S**, instead the whole amount is appropriated in the **P/L** (Profit and Loss Statement or Consolidated Profit and Loss Statement), as an extraordinary profit.

Negative goodwill is recorded in NEEDS in the following way. When the whole amount has been classified as extraordinary profit, then it is recorded in **D01113**, if it is going to be amortised during a certain period, then it is recorded as **D01041** and **E01041**. (On 26/12/2008, The Accounting Standards Relating to Enterprise Combinations were published and these stated that negative goodwill that has resulted from a merger (executed since 01/04/2010) must be treated as an extraordinary profit that has arisen in the same fiscal year as the merger took place. As a result, the entry for negative goodwill was removed from fixed liabilities in the balance sheet and an entry for [**Profit (Gains) generated by Negative Goodwill**] was included in the extraordinary profit items. This amendment became official in the case of a merger taken place first since 01/04/2009 as an earlier application when a (consolidated) fiscal year begins at the same time.

Companies must report Profit (Gains) generated by Negative Goodwill only if this is greater than 10% of extraordinary profit total.

Negative Goodwill in NEEDS-Financial Quest

C01072 Negative Goodwill [Balance Sheet (Liability)] Records available from **March 1999**

D01113 Profit (Gains) generated by Negative Goodwill [Profit and Loss Statement (Cumulative Total from the beginning of the financial term)] Records available from **June 2010**

D01041 Amortisation of Negative Goodwill [Profit and Loss Statement (Cumulative Total)] Records available from **March 1999**

E01041 Amortisation of Negative Goodwill [Profit and Loss Statement (Quarterly)] Records available from **June 2002**

In addition, amortisation of goodwill and negative goodwill are offset in the cash flow statement which is recorded as **F01034**.

F01034 Amortisation of Goodwill and Negative Goodwill (offset account) [Cash flow statement] Records available from **Feb 1998**

Goodwill or negative goodwill does not involve an outflow of cash. Conversely, when producing the cash flow statement, it is necessary to adjust for non cash items such as amortisation costs that were included in the income statement. This adds an extra classification to the cash flow statement specifying the amortisation.

EBITDA in the NEEDS-Financial Quest

When comparing companies among multi-nations, EBITDA can be one of measures to represent the performance of each company. The NEEDS-FinancialQUEST provides two EBITDA data as below.

I_A01106 EBITDA(A) =
Ordinary Profit (**D01066**) + Interest/Discount Expense (**D01047**) + Depreciation [Cash flow Statement] (**F01022**)

I_A01107 EBITDA(B) =
Ordinary Profit (**D01066**) + Interest/Discount Expense (**D01047**) + Depreciation [Other Statement] (**H01005**)

The difference between those two boils down to depreciation, which depends on the above mentioned disclosure rule for each company. Please note that the [Amortisation for Goodwill and Negative goodwill] is therefore not included in the depreciation expense of the EBITDA we provide.

If we want to examine the amortisation of goodwill in terms of EBITDA, **K01078 Amortisation of Goodwill** is available from March 1999. When analysing the amortisation costs for negative goodwill, **D01041 Amortisation of Negative Goodwill** is also available from March 1999.

But these two items provide less coverage than **F01034 Amortisation of Goodwill and Negative Goodwill (offset account)** which is available from Feb 1998. The F01034 is data with the highest coverage. If items that date before April 1999 are needed, please use **D01106 Amortisation of Consolidated of Account Adjustment** which is available until April 1999.

Analysing the Amortisation Values

Now we will analyse the sample amortisation values that have been mentioned, focusing in particular on the weighting born by goodwill on companies listed on the Tokyo Stock Exchange and all Domestic Markets.

Setting up NEEDS-FinancialQUEST as below, you can get table shown in **Figure 1**.

Database: FINSTA (Corporate Financial Data)

Target: Tokyo Stock Exchange All Domestic Markets

Item: I_A01148 (Ratio of Profits to Net Sales)

I_A01048 (EBITDA to Net Sales Ratio (A))

I_A01049 (EBITDA to Net Sales Ratio (B))

I_A01047 (EBIT to Net Sales Ratio (B))

K01078 (Amortization of Goodwill)

D01041 (Amortization of Negative Goodwill)

Period: from P to P-4

Figure 1: Downloading the data in the NEEDS-FinancialQUEST

	A	B	C	D	E	F	G	H
			B0	B0	B0	B0	B0	B0
			Fiscal Year Data	Fiscal Year Data	Fiscal Year Data	Fiscal Year Data	Fiscal Year Data	Fiscal Year Data
			FINFSTA_I_A01148	FINFSTA_I_A01048	FINFSTA_I_A01049	FINFSTA_I_A01047	FINFSTA_K01078	FINFSTA_D01041
			Ratio of Profits to Net Sales	EBITDA to Net Sales Ratio (A)	EBITDA to Net Sales Ratio (B)	EBIT to Net Sales Ratio	Amortization of Goodwill	on of Negative Goodwill [Cumulati
			%	%	%	%	million yen	million yen
12	T3269	ADVANCE RESIDENCE INVEST	223.56	48.31	48.31	31.28	-	-
13	T8960	UNITED URBAN INVESTMENT	111.43	63.46	63.46	45.1	-	-
14	T8512	OSAKA SECURITIES FINANCE	95.05	-9.43	-9.26	-22.74	-	-
15	T5996	NEW TACHIKAWA AIRCRAFT	59.19	67.65	67.65	59.55	-	-
16	T8961	MORI TRUST SOGO REIT	55.78	82.49	82.49	67.33	-	-
17	T3652	DIGITAL MEDIA PROFESSION	48.47	32.28	32.77	31	-	-
18	T8964	FRONTIER REAL ESTATE INV	45.94	76.53	76.53	51.95	-	-
19	T8967	JAPAN LOGISTICS FUND	42.82	74.17	74.17	52.87	-	-
20	T8984	BLIFE INVESTMENT	41.64	61.44	61.44	46.72	-	-
21	T8821	TACHIHI ENTERPRISE	37.5	71.87	71.87	64.05	-	-
22	T8982	TOP REIT	36.15	65.98	65.98	47.78	-	-
23	T3226	NIPPON ACCOMMODATIONS F	35.58	67.78	67.78	47.54	-	-
24	T8955	JAPAN PRIME REALTY INVEST	34.78	64.52	64.52	47.93	-	-
25	T8952	JAPAN REAL ESTATE INVEST	34.57	63.5	63.5	44.13	-	-
26	T3265	HULIC	34.39	64.32	64.32	50.35	-	-
27	T8959	NOMURA REAL ESTATE OFFIC	33.76	60.5	60.5	46.26	-	-
28	T3234	MORI HILLS REIT INVESTMEN	33.54	62.32	62.32	49.57	-	-
29	T8973	SEKISUI HOUSE SI INVESTME	32.52	62.88	62.88	44.11	-	-
30	T3240	NOMURA REAL ESTATE RESI	32.48	65.37	65.37	47.78	-	-
31	T8987	JAPAN EXCELLENT	31.53	55.95	55.95	41.23	-	-
32	T4689	YAHOO JAPAN	31.52	58.16	58.16	54.8	-	-
33	T3722	VERISIGN JAPAN	31.5	24.33	24.33	19.4	23	-
34	T8957	TOKYU REIT	31.27	60.01	60.01	44.08	-	-
35	T8951	NIPPON BUILDING FUND	31.19	61.83	61.83	42.11	-	-
36	T8968	FUKUOKA REIT	31.12	56.15	56.15	39.23	-	-
37	T3249	INDUSTRIAL & INFRASTRUCT	31.02	61.97	61.97	44.52	-	-
38	T8954	ORIX JREIT	30.64	64.52	64.58	42.81	-	-
39	T8907	HOOSIERS	30.38	27.55	27.55	26.78	-	-
40	T8772	ASAX	30.07	53.45	53.45	53.11	-	-
41	T6861	KEYENCE	29.95	49.9	49.9	48.69	-	-
42	T8975	SECURITIES INVESTMENT	29.4	54.03	54.03	48.05	-	-

Comparing the Impact of Goodwill on Company EBITDA

The data has then been exported on to Excel to allow us to analyse EBITDA and Goodwill as a ratio of Net Sales. EBITDA + amortisation of goodwill allows us to compare the weighting Goodwill has on EBITDA. In our database the 20 companies with the highest EBITDA to sales ratio were selected and the weighting of these results were compared to the EBITDA + amortisation figure. As it can be inferred from **Figure 2**, the results are almost identical, and the effect on company rankings was minimal, only **NEW TACHIKAWA AIRCRAFT** rose from 6th to 8th position due to a 0.25% increase that can be resulting from Goodwill.

Figure 2: (EBITDA + Amortisation of Goodwill) to Net Sales Ratio Ranking in listed companies

	Calculated item	B0	B0	B0	
	EBITDA + Amortisation of goodwill to Net Sales Ratio	Fiscal Year Data FINFSTAI_A01148	Fiscal Year Data FINFSTAI_A01048	Fiscal Year Data FINFSTAI_A01049	
	%	Ratio of Profits to Net Sales	EBITDA to Net Sales Ratio (A)	EBITDA to Net Sales Ratio (B)	
	%	%	%	%	
1	HITACHI CAPITAL	107.47	6.77	106.49	106.49
2	MORI TRUST SOGO REIT	82.49	55.78	82.49	82.49
3	FRONTIER REAL ESTATE INVESTMEN	76.53	45.94	76.53	76.53
4	JAPAN LOGISTICS FUND	74.17	42.82	74.17	74.17
5	TACHIHI ENTERPRISE	71.87	37.5	71.87	71.87
6	NEW TACHIKAWA AIRCRAFT	67.90	59.19	67.65	67.65
7	NIPPON ACCOMMODATIONS FUND	67.78	35.58	67.78	67.78
8	JAPAN HOTEL AND RESORT	67.72	23.75	67.72	67.72
9	TOP REIT	65.98	36.15	65.98	65.98
10	NOMURA REAL ESTATE RESIDENTIAL	65.37	32.48	65.37	65.37
11	FC RESIDENTIAL INVESTMENT	64.83	29.4	64.83	64.83
12	ORIX JREIT	64.52	30.64	64.52	64.58
13	JAPAN PRIME REALTY INVESTMENT	64.52	34.78	64.52	64.52
14	HULIC	64.32	34.39	64.32	64.32
15	JAPAN REAL ESTATE INVESTMENT	63.50	34.57	63.50	63.5
16	UNITED URBAN INVESTMENT	63.46	111.43	63.46	63.46
17	SHOEI	63.08	14.09	63.08	63.08
18	SEKISUI HOUSE SI INVESTMENT	62.88	32.52	62.88	62.88
19	PREMIER INVESTMENT	62.33	29.38	62.33	62.33
20	MORI HILLS REIT INVESTMENT	62.32	33.54	62.32	62.32

Identifying Companies with Highest Goodwill Amortisation

If we create another cell where we subtract EBITDA + amortisation of goodwill from EBITDA which means amortisation of goodwill itself and rank the results from highest to lowest, we obtain the data displayed in **Figure 3**.

Figure 3: Amortisation of Goodwill to Net Sales Ratio Ranking in listed companies

	Calculated item	Calculated item	B0	B0	
	Changes btw original EBITDA and the EBITDA including goodwill	EBITDA + Amortisation of goodwill to Net Sales Ratio	Fiscal Year Data FINFSTAI_A01148	Fiscal Year Data FINFSTAI_A01048	
	%	%	Ratio of Profits to Net Sales	EBITDA to Net Sales Ratio (A)	
	%	%	%	%	
1	SBI HOLDINGS	6.07	15.16	3.21	9.09
2	KANMONKAI	4.97	8.69	-9.85	3.72
3	SEVEN SEAS HOLDINGS	4.65	10.33	20.28	5.68
4	KACHIKAIHATSU	4.34	19.88	-6.26	15.54
5	ALMEDIO	4.06	10.40	1.97	6.34
6	NETWORK VALUE COMPONENTS	3.79	7.99	-18.41	4.2
7	GMO CLOUD	3.49	20.60	8.17	17.11
8	DRECOM	3.35	11.94	-2.74	8.59
9	TECMO KOEI HOLDINGS	3.18	21.19	8.54	18.01
10	FUNAI ZAISAN CONSULTANTS	3.12	7.67	1.57	4.55
11	CYBOZU	3.01	22.31	7.38	19.3
12	ACCORDIA GOLF	2.91	23.70	9.37	20.79
13	FREEBIT	2.88	7.15	-3.98	4.27
14	CYBERNET SYSTEMS	2.53	9.70	4.37	7.17
15	MITSUBISHI TANABE PHARMA	2.48	24.24	9.22	21.76
16	KYOWA HAKKO KIRIN	2.40	19.05	5.36	16.65
17	AXEL MARK	2.16	6.63	-4.17	4.47
18	SOFTBANK	2.09	30.36	6.31	28.27
19	SOGO RINSHO HOLDINGS	2.07	15.31	6.1	13.24
20	ROHM	2.06	21.31	2.82	19.25

The company with the highest amortisation amount for Goodwill is **SBI HOLDINGS** with a difference of 6.07 from the table it can be inferred that Goodwill holds a significant % in the EBITDA + Amortisation of Goodwill ratio and it becomes an indispensable element in the valuation of these companies. Via NEEDS it is also possible to obtain all the **Corporate Action Data** in that will provide you with information regarding all the corporate events that lead to the creation of goodwill.

Conclusion

In conclusion it can be said that further evidence can be inferred from **Figure 4**, a table summarising all the statistics of the differences that we have calculated. 2173 companies in the Tokyo Stock Exchange and all domestic markets have been included in the

Statistics for differences for Amortisation of Goodwill	
Mean	0.11
Standard Error	0.01
Median	0
Mode	0
Standard Deviation	0.53
Sample Variance	0.28
Kurtosis	93.37
Skewness	0.58
Range	16.09
Minimum	-10.02
Maximum	6.07
Sum	240.44
Count	2173
Confidence Level(95.0%)	0.02

population. The mean of the differences is 0.11, and the mode of 0 also shows that for most companies EBITDA/ net sales figure and the EBTIDA + amortisation of goodwill/ net sales are the same. A standard deviation of 0.53 shows that most of our observations are concentrated around our mean value.

Our results show that the weight of goodwill is very limited in Japanese companies; there are various explanations for this trend. The limited amount of mergers and acquisitions in the Japanese business environment can be a possible explanation. A second valid reason can be the nature of the accounting framework that these businesses have been subjected to. Although companies were prohibited from amortizing goodwill in 1 year, they were allowed to amortise it between 2-20 years. When companies choose to amortise goodwill over a long period of time, this cost will be relatively small, and it would be possible that it is not disclosed if this figure is smaller than 5% of total expenditures in Sales General and Administration.

This creates complications when comparing these companies, as the diverging amortisation costs does not allow us to make a fair comparison amongst companies.

This analysis constitutes a tiny fragment of Corporate Financial Statements Data that NEEDS can provide, if you are interested in Corporate Financial Statements Data, please do not hesitate to contact a Nikkei representative at e-needs@eur.nikkei.com.

How to use Earning Estimates data on NEEDS-FinancialQUEST (Part 2)

NEEDS-FinancialQUEST / Data Handling options for Unavailable (N/A) Data

To handle the earnings and dividend estimates data, there exists one more point to notice. Please refer dividend data of East Japan Railway (T9020). Input and option sets of NEEDS-FinancialQUEST are as below.

Database: History of Earning Estimates (by Company) and Financial Results

Subkey:

Consolidated Type: [C0] Unconsolidated (for dividend data must choose [C0])

Accounting Period: - 1: Annual and Quarter (Inc. Interm)

Subjected Estimation: - 1: Latest Estimates

Subjected Results: - 1: Latest Results Disclosure

Handling of Accounting Period: - Results data only

Target: T9020 East Japan Railway

Item: Reporting Date

Accounting Period Flag

Results/Estimates Flag

Dividend per Share 1 (lower) [Cumulative Total]

Dividend per Share 1 (lower) [Period End]

Start Date of Dividend Payment

Period: from (P-11) to (P+1)

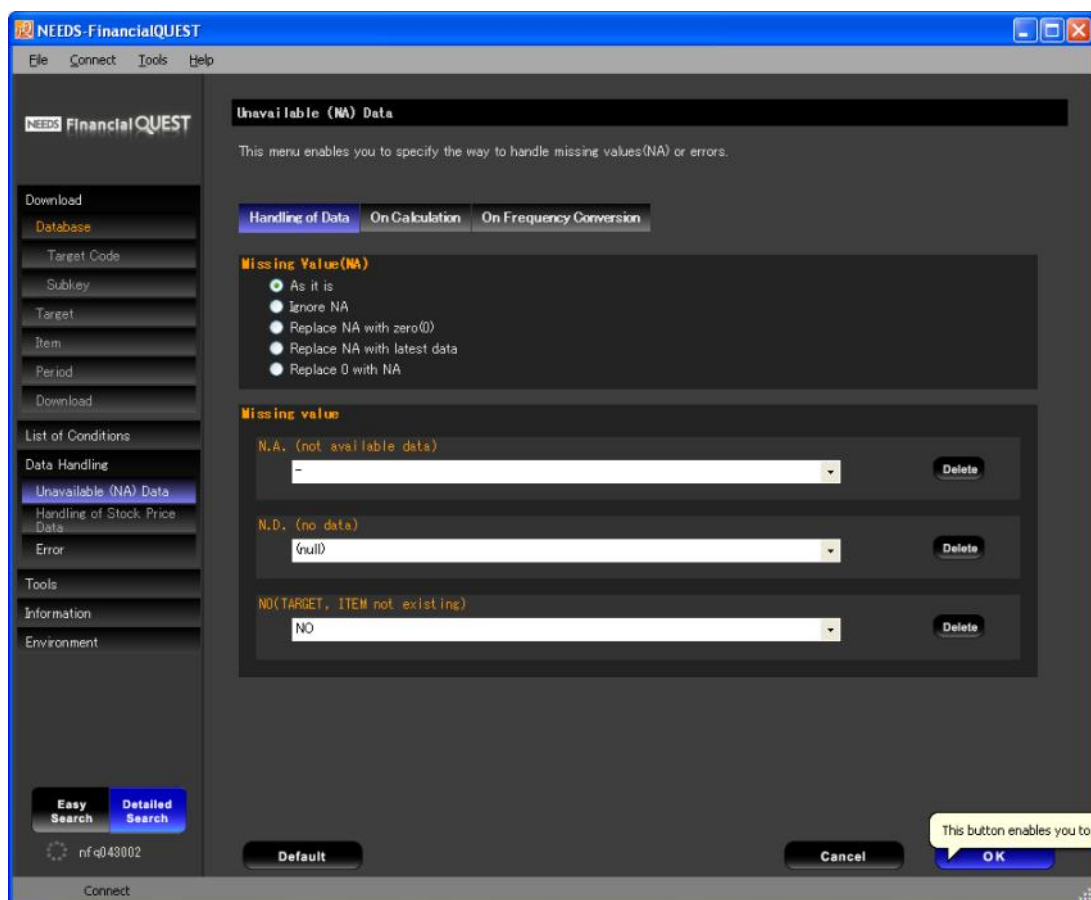
Download:

Column: Item

Row: Date

Page: Company / Consolidated Type

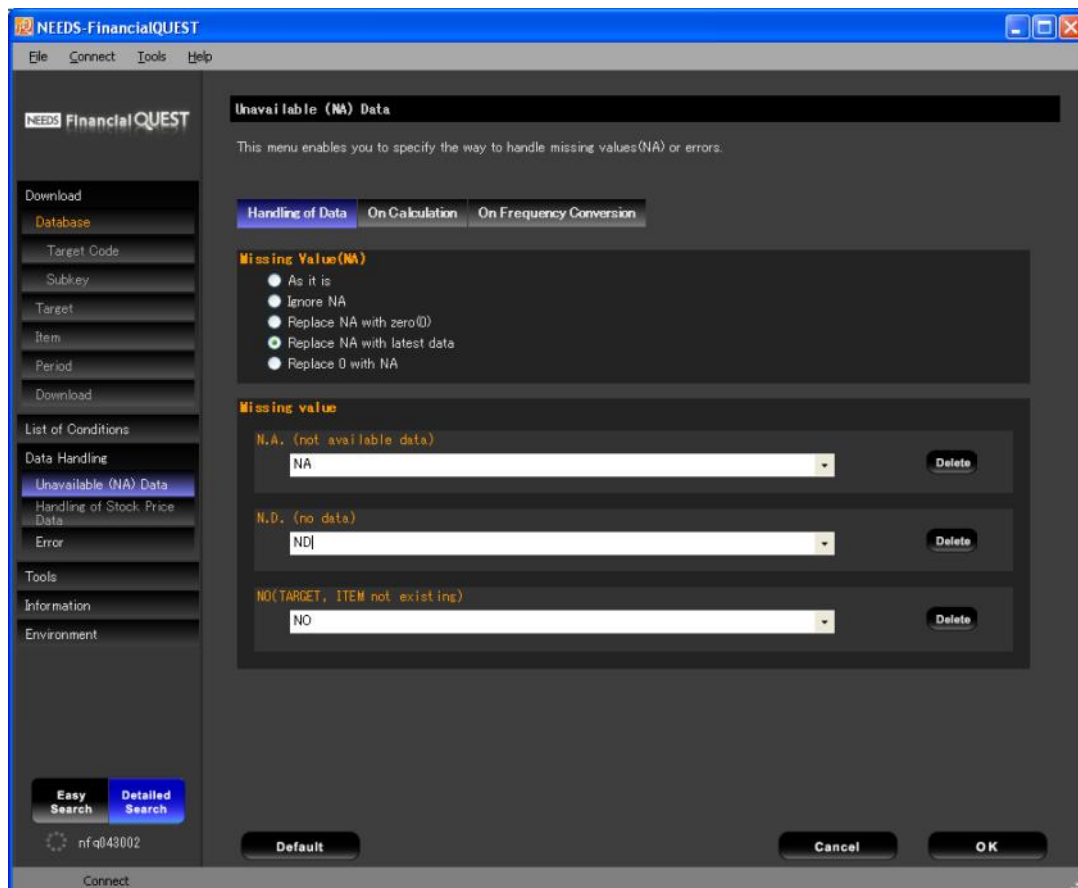
Download settings are above. Default set of the Data Handling for Unavailable (N/A) Data is as below.



Result of download is as below. Value of the Accounting Period Flag means 21: First Quarter, 22: Second Quarter, 23: Third Quarter, 10: Annual. Data. Data which is not available is marked as - as shown in the table.

	Fiscal Year End	Reporting Date	Accounting Period Flag	Consolidation Criteria Flag	Results / Estimates Flag	Dividend per Share - 1 (Lower) [Cumulative Total]	Dividend per Share - 1 (Lower) [Period End]	Start Date of Dividend Payment [Period End]
P-11	2008/06	2008/07/29	21	0	1	-	-	-
P-10	2008/09	2008/10/29	22	0	1	-	5500	2008/12/02
P-9	2008/12	2009/01/30	23	0	1	-	-	-
P-8	2009/03	2009/04/27	10	0	1	5555	55	2009/06/24
P-7	2009/06	2009/07/27	21	0	1	-	-	-
P-6	2009/09	2009/10/28	22	0	1	-	55	2009/12/01
P-5	2009/12	2010/01/29	23	0	1	-	-	-
P-4	2010/03	2010/04/27	10	0	1	110	55	2010/06/24
P-3	2010/06	2010/07/27	21	0	1	-	-	-
P-2	2010/09	2010/10/28	22	0	1	-	55	2010/12/01
P-1	2010/12	2011/01/28	23	0	1	-	-	-
P	2011/03	2011/04/27	10	0	1	110	55	2011/06/24

This shows East Rail Company disclosed its dividend results as 5500 yen at the end of second quarter which ends at 09/2008 and 55 yen at the end of annual which ends at 03/2009 which summed to 5555 yen throughout the fiscal term ends at 03/2009. There are no dividends in the first and third quarters. (The East Rail Company had 1:100 stock splits on 04/01/2009. This affected the dividend value and changed into 55 yen from 5500 yen.)



Changing the data handling into “Replace NA with (the) latest data” affects output as below.

	Fiscal Year End	Reporting Date	Accounting Period Flag	Consolidation Criteria Flag	Results / Estimates Flag	Dividend per Share - 1 (Lower) [Cumulative Total]	Dividend per Share - 1 (Lower) [Period End]	Start Date of Dividend Payment [Period End]
P-11	2008/06	2008/07/29	21	0	1	10000	5000	2008/06/25
P-10	2008/09	2008/10/29	22	0	1	10000	5500	2008/12/02
P-9	2008/12	2009/01/30	23	0	1	10000	5500	2008/12/02
P-8	2009/03	2009/04/27	10	0	1	5555	55	2009/06/24
P-7	2009/06	2009/07/27	21	0	1	5555	55	2009/06/24
P-6	2009/09	2009/10/28	22	0	1	5555	55	2009/12/01
P-5	2009/12	2010/01/29	23	0	1	5555	55	2009/12/01
P-4	2010/03	2010/04/27	10	0	1	110	55	2010/06/24
P-3	2010/06	2010/07/27	21	0	1	110	55	2010/06/24
P-2	2010/09	2010/10/28	22	0	1	110	55	2010/12/01
P-1	2010/12	2011/01/28	23	0	1	110	55	2010/12/01
P	2011/03	2011/04/27	10	0	1	110	55	2011/06/24

Difference among those three (N.A, N.D and NO) are:

NA/ND/NO	Notes
N.A (Not Available)	Indicates that data could not be obtained from the information provider, is not generally publicised, there is no value assigned (for stock and bond related data), or the like.
N.D. (No Data)	This means data that does not exist (e.g. sales for a bank), stock or bond for a non-business day or day the exchange is closed, data for time outside the range of the time period for which the data was recorded, etc.
NO (No Object)	Indicates a value for which the specified target or item does not exist.

Originally dividend of the first and third quarter was not disclosed. But “Replace NA with (the) latest data” option shows as if these values were disclosed. Please use this option carefully so as not to misread the data. This option should be valid for calculating values such as ratio for necessity of level keeping. For any questions about this please contact e-needs@eur.nikkei.com.

NEEDS BULK

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Tick Vision is the latest addition to the NEEDS suite providing online data download and analysis of Tick data from the Japanese stock markets, including over 10 years of individual equity, JGBs, equity options and stock index futures and options data. The software also includes data analysis and simulation tools to chart VWAP, beta, bid ask spreads etc throughout the day.

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Nikkei Index Nikkei 225, 300, 500 indices data provided by Nikkei's official 3rd party vendor

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