

Japan Equity Strategy

Japan's Coming Golden Age of Activism

Key Takeaway

We see a rapid rise in activism in Japan and believe that the current wave of activism is likely to be successful. However, there will be few easy victories due to the high level of allegiant shareholders. Our analysis shows that there are 4 types of companies based on their types of allegiant shareholders. This has implications for which companies activist investors should target and how.

According to Activist Insight there was a 40% increase in the number of companies in Japan targeted by activists in 2017. Anecdotally we feel that there has been further acceleration in 2018. While past waves of activism have failed, we believe that activism should be successful over the coming 5 to 10 years.

This Time is Different: We believe that there are at least 10 reasons why activist investors will be far more successful this time than they have been in the past. On the corporate side these reasons include adoption of the Corporate Governance and Stewardship Codes which provide powerful tools to activist investors; an increase in the number of independent outside directors which changes board dynamics; and broad adoption of share based compensation plans which changes the incentives for top managers. In terms of the economy, this trend is supported by the tight labor market which makes the restructuring of underperforming segments easier and the need for higher returns on savings and pension assets to support the rising retiree population. There are also broad changes in the attitudes of corporate managers, politicians and the media. Politicians are worried about the increasing sophistication and competitiveness of Chinese companies, which would change the geopolitical balance unless corporate Japan regains its vigor. Japanese media has developed a more positive attitude to activist investors, no longer calling them "vultures." Finally, there is a generational change underway at Japanese companies with post-bubble hires now reaching age 50 and moving into managerial positions.

Allegiant Shareholders: The bad news is that the proportion of allegiant shareholders, i.e. shareholders loyal to corporate managements, remains very high. 40% of companies have over half their shares in the hands of allegiant shareholders. Another 40% of companies have between 1/3 and 1/2 of shares in friendly hands. This leaves only a small proportion of companies vulnerable to shareholder resolutions. While this is a serious barrier, we believe the environment is such that companies cannot completely ignore reasonable demands by shareholders, especially if the company has a track record of poor performance and bad governance. Furthermore, we believe the level of allegiant shareholders will steadily decline because of revisions to Principle 1.4 of the Corporate Governance Code (Cross-Shareholdings) that was introduced earlier this month.

Four Types of Companies: We analyzed the shareholder structures of the TOPIX500 companies as well as their performance and governance structures. We found that there are four types of companies based on their shareholders:

Non-allegiant (20%) are the easiest targets, but are generally good anyway;
 Founder/family (20%) are cash rich, growth companies and may be open to dialog;
 Bank dominated (20%) are indebted and could be candidates for restructuring;
 Corporate dominated (40%) are the worst performers and the hardest nuts to crack.

We present several lists of companies: Companies with the lowest and highest levels of allegiant shareholders; highest level or corporate, bank/insurance and other allegiant shareholders; low ROE companies with the highest and lowest levels of allegiant shareholders and governance structures; companies with the highest and lowest levels of foreign shareholders. These lists may provide some ideas for companies to target or avoid (at least initially) for activist campaigns.

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^Prior trading day's closing price unless otherwise noted.

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The Coming Golden Age of Activism

We believe that the next ten years could be the golden age of activism in Japan. It may be somewhat similar to the 1980s in the US when activist investors aggressively went after unfocused conglomerates with bloated balance sheets and complacent management. That decade generated 400% returns (17.4% annualized returns) for the S&P500 index. While rising EPS generated 50% returns and falling bond yields also contributed a similar amount (10 year government bond yields fell from 10% to 8%), the largest impact came from multiple expansion. PER multiples steadily rose over the decade doubled from below 8x in the late 1970s to over 15x by the end of the 1980s.

The Japanese market could see a similar re-rating (see our 8 March 2018 report titled "[Fifth Anniversary of Abenomics: Three Reasons to Buy Japan](#)"). In that report, we conservatively forecast a rise in the PBR multiple for the Japanese market from 1.3x to 1.8x over the coming 5 years. This assumes an improvement in ROE to 12%, based simply on an increase in the leverage ratio in Japan from 2.5x to 3.0x. A 3.0 leverage ratio would only return the leverage ratio in Japan to the lower end of the range in other developed economies. Any further improvements to margins, asset turnover or leverage could see larger improvements to ROE and result in the PBR multiple rising to above 2x.

This Time is Different

There have been previous waves of activist investors in Japan. The most recent and well-remembered is the wave in the mid-2000s with Murakami, Steel Partners, etc. At that time, Japan Inc. circled the wagons to protect the target companies and Japanese shareholders voted in support of management. Poison pill defences were adopted. The activists failed miserably with foreign activists leaving after losing their fights and the home grown activist, Murakami, lost credibility because of insider trading. Activism died out.

We believe the current developing wave should be much more successful for several reasons related not only to governance, but also to the companies, the economy and social/political environment. The environment in Japan today is very different from the early-mid-2000s:

The Corporate Governance Code

This corporate governance code, which was adopted in 2015 and revised earlier this month, gives a very powerful tool to activist investors. It is a Japanese code that lays out principles that Japanese companies are required to follow. Activist investors, whether home grown or foreign can cite the code when making demands to companies. The companies can no longer turn down the demands by saying that these demands are foreign concepts or simply the investor's individual opinion, and thus not necessarily valid. The sophistication and level of detailed explanation/justification now required to counter activist investor's demands is much higher now.

The Stewardship Code

In the past, Japanese institutional investors could simply vote to support management. No explanation was required. With the adoption of the Stewardship Code in 2014 and its revision in 2017, institutional investors now have to disclose how they voted and justify the vote in terms of the benefit to the fund's beneficiaries. We believe that Japanese institutional investors now have a strong desire to support sensible proposals by activist investors. **The one recommendation that they have is that the shareholder proposal is presented and explained in an appropriate manner that is not overly hostile or disrespectful to the company.**

With the latest revisions to the Corporate Governance Code, there is also a requirement for corporate pension funds, even if they are not signatories to the Stewardship Code, to ensure that conflicts of interest between the company and the plan beneficiaries are properly managed.

Incentive Compensation

Over the past 4 years there has been a sharp increase in the use of share based incentive compensation schemes. From almost zero usage, over two-thirds of TOPIX500 companies now have some form of stock compensation plan. While disclosure about these plans is generally poor, our impression is that many if not most of these plans will result in meaningful levels of share ownership by inside directors over the coming 5 years. As shareholder alignment rises, we believe company managements will become much more concerned about how their actions affect their company's stock price.

Outside Directors

Before 2014, less than half the companies had even a single outside director. The concept of outsiders having any oversight or say over management barely existed. With the adoption of the corporate governance code, the idea that some outside party, i.e. the outside directors should have oversight over company management is gradually starting to sink in and be accepted. The average number of outside directors has also increased to 3 people on an average 11-person board. Furthermore, at 2/3 of companies, these outside directors have clear roles/responsibilities due to their membership or chairmanship of board committees. We believe this is slowly changing management mindsets to one where they recognize that they need to explain their strategies and actions to outsiders and to take into consideration the opinions of outsiders.

Direct Meetings with Shareholders

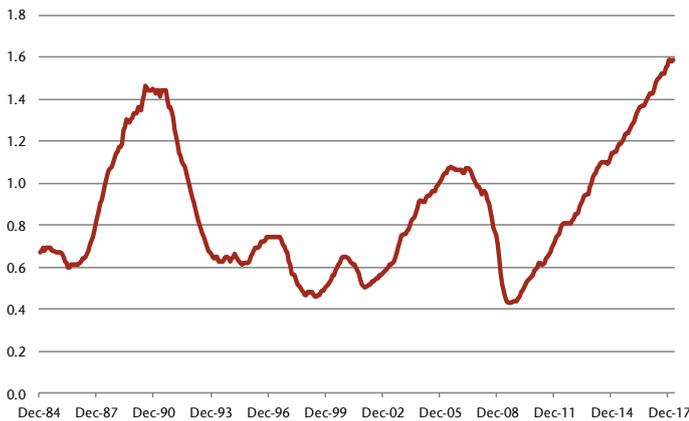
In the past, few CEOs directly met with investors. Furthermore, it was common practice for the reports that were prepared by the investor relations departments of their meetings with investors to be heavily edited and censored to remove any comments that might offend or upset senior management. The majority of CEOs never heard the truth and did not know what investors actually thought of their performance and strategy. CEOs and other top management are now meeting with investors more regularly. As a consequence, they are personally hearing the comments of investors without any filters.

They are thus becoming much more aware of how their performance is being judged and the concerns that shareholders have.

Generational Change

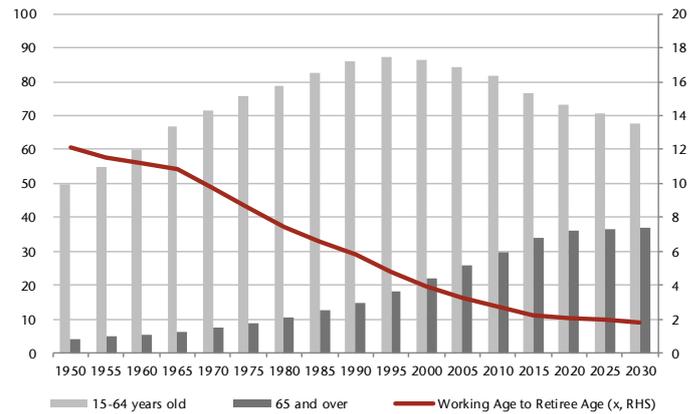
There is a generational change taking place in Japan. Everyone under 50 years old has served their entire work career during the post-bubble “lost decades” era. This generation does not naturally assume that Japanese management practices are the best. In fact, they are generally critical of the previous generation of post-bubble managers and management practices. This new generation is now starting to manage divisions and business segments. Over the coming decade they will run the companies.

Chart 1: Job Offer to Applicant Ratio



Source: Bloomberg

Chart 2: Retirees vs. Workers: Japan population (millions)



Source: Ministry of Internal Affairs and Communications

Tight Labour Market

Japanese labour laws are quite rigid and it is difficult to lay off employees. Equally or more importantly, from a cultural perspective it is important to be seen as protective of your staff. In the past, this meant that it was difficult to close or sell underperforming business segments. Now however, with the job offer to applicant ratio at 1.6x (well above the 1980s bubble peak of 1.45x), the labour market is so tight that companies cannot adequately staff their good business segments. They have no choice but to find ways to pull staff from bad segments to good segments. This may precipitate the full restructuring of the underperforming segment or its spinoff and merger with a competitor to make it more efficient, thus allowing the reassignment of redundant employees to understaffed growth segments.

Pension Liabilities Pressure

In 1990 the ratio of the retiree age population to working age population was 6:1. At that time the ratio for the UK was 4:1, meaning that Japan was enjoying a demographic dividend from a large working age population and low dependency ratio. Employment income was the key and retirement incomes were unimportant. In the early 2000s the ratio in Japan declined to 4:1, but remained above the UK level. It has since deteriorated rapidly and is now below 2.4:1, putting it well below the UK level of 3.4:1. Over 1/3 of Japanese now depend on their retirement incomes to determine their standard of living. The return on savings and pension assets has gained an importance that it never had before.

Media Attitude

Activist investors used to be called “hagetaka,” i.e. vultures. Over the past three to four years, Japanese media has developed a better understanding of corporate governance concepts and well as performance metrics such as ROE and dividend payout. The concept of active engagement by shareholders being a good thing is also now recognized. Rather than being referred to as vultures, activist investors are now referred to as “mono iu kabunushi,” i.e. vocal shareholders (as opposed to silent shareholders). The tone of Japanese media is now more often supportive of activist shareholders and critical of

management, especially when the poor performance of management is clear. The recent spate of accounting and data falsification scandals by a large number of companies has definitely helped to get both media and the general public to understand that there is a governance problem in Japan. It is now much more acceptable for media and investors to publicly criticise iconic companies and their management when they perform poorly or show evidence of poor governance practices.

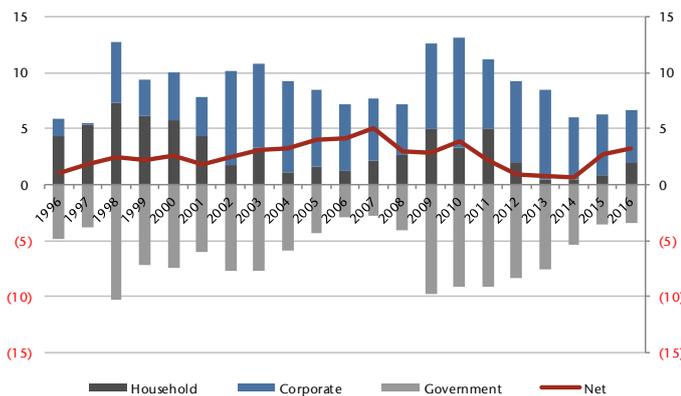
Politicians vs. Bureaucrats

Under Prime Minister Abe there has been a steady shift in power from bureaucrats to politicians. Corporate governance reform has been championed by politicians and the FSA rather than bureaucrats at the various ministries. Our impression is that Japanese politicians have greater belief in market discipline than do bureaucrats. This may be because they themselves are subject to market discipline in terms of getting voted out of office if they do not satisfy voters. Bureaucrats have often seen corporate Japan as a cosy place to enjoy a well-paid and comfortable retirement as board members or advisors. They thus have a natural conflict of interest in ensuring good governance.

In contrast, LDP politicians see “do-nothing” corporate management as one of the reasons for Japan’s lost decades. This do-nothing corporate management can no longer be tolerated because of the rise of increasingly sophisticated and competitive Chinese companies. If Japan is to have any geopolitical ability to stand up to a rising China, it needs a strong economy and a vigorous corporate sector.

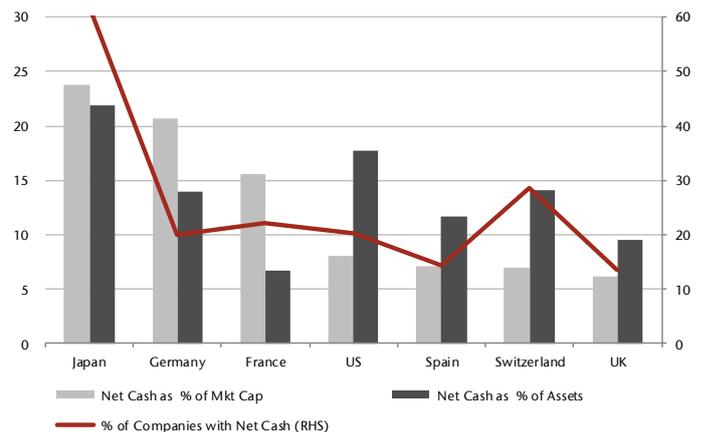
Politicians now support corporate governance reform because they believe that previously unaccountable, complacent and overly cautious corporate management needs to have its feet held to the fire. Management either needs to perform or they should be voted out by shareholders. The politicians believe that more accountable corporate management is one of the keys to the revival of Japan’s economy. The politicians also see the cash hoarded on corporate balance sheets as dead money that is not flowing through the economy. They want this money to circulate through the economy and to fuel the revival.

Chart 3: Net Borrowing / Lending by Sector (% of GDP)



Source: OECD (2018), Net lending/borrowing by sector, Jefferies

Chart 4: Cash Held by Non-Financial Companies (LHS: Average %; RHS: % of Companies)



Source: Bloomberg, company data, Jefferies estimates

Note: Cash rich companies are those where cash is more than 10% of both market cap and total assets.

The Wall

While there are many things that are supporting the advent of a golden age of activism in Japan, there will be few easy victories. The reason is that Japanese management is protected in a manner that US management never was. The protection comes from the high levels of allegiant shareholders, a wall meant to protect against outsiders.

After World War II the US occupation forces ordered the dismantling of the Zaibatsu holding companies as they were seen as enablers and supporters of Japan's colonial expansion and militarism in the lead up to the war. Keiretsu cross shareholdings were formed among the old Zaibatsu siblings to protect weak Japanese companies from takeover. Other companies also formed cross shareholdings to protect themselves and secure financing as capital was scarce in post-war Japan. This worked for the decades of the 1950s to 1970s when Japan rebuilt its post-war economy, giving Japanese companies - under hungry and aggressive managers - time to build their competitiveness.

During the 1980s bubble years unrealized gains on cross shareholdings created an upward spiral of share prices. Japanese managers leveraged up their balance sheets based on the unrealized gains on cross shareholdings and speculated on real estate, further fuelling the bubble. When the stock market and real estate bubbles collapsed, the debt remained.

Japanese managers spent the first half of the 1990s hoping that stock prices and land values would recover, bailing them out from their debt overhang. With no recovery in sight, they then spend the next decade up to the mid-2000s cutting costs and paying down debts. At the time of the previous activist wave, corporate Japan, workers, bureaucrats and politicians all still felt vulnerable. Hence the opposition of all parties to foreign activists. The wall of allegiant shareholders was seen in a positive light.

Allegiant Shareholders

We believe that "cross shareholder" is too narrow a view, and look at each company's ownership structure in greater detail. Our primary lens is from the perspective of a minority shareholder, particularly an activist shareholder that would like to change an investee company's strategy and management behavior. The key question is what is the probability of being successful in getting a shareholder resolution passed through a proxy vote at the AGM? The answer to this question depends on the level of allegiant shareholding. The question of whether activist shareholders can influence management even though they cannot win a proxy vote will be dealt with in a later report.

Types of shareholders

For our purpose, we put shareholders into 2 categories: allegiant and non-allegiant. Allegiant means loyal or faithful and in this context, it means loyalty to the company's management. We first came across this term from Mr. Ken Hokugo of the Pension Fund Association (PFA), a ¥11.7trn Japanese pension fund. Mr. Hokugo expressed his frustration with the limited impact that institutional investors and assets owners such as the PFA could have on corporate behavior and strategy, as long as their share ownership was small relative to the ownership share of allegiant shareholders. He mentioned that even GPIF, the ¥127trn government pension fund's Japanese equity investments, at approximately 9% of the market, is small relative to the holding of allegiant shareholders. We therefore felt it was important to try to estimate the level of allegiant shareholding at Japanese companies.

In our earlier governance research, we have rated and ranked the board structures of the TOPIX500 companies, i.e. the top 500 companies in terms of free float market cap that are listed on the first section of the Tokyo Stock Exchange. The detailed ratings and methodology are given in our 28 August 2017 report titled "[Board Structure Reform: Progress Stalling.](#)" We therefore used this universe of companies for our analysis of allegiant shareholding level. This has the added advantage of allowing us to also do comparisons of allegiant shareholding with governance metrics related to board structure.

The share ownership data that we use comes from Bloomberg. The Bloomberg data has share ownership for each company classified into over a dozen categories. The largest categories in terms of average ownership across the 500 companies are as follows:

Table 1: Share ownership (%) by type of shareholder

	Average	Maximum	90 th Percentile	75 th Percentile	Median	25 th Percentile	10 th Percentile
Investment Advisor	38.8	76.1	58.7	49.3	38.9	27.0	19.5
Corporation	23.8	96.5	53.1	33.3	18.0	9.6	3.9
Bank	12.4	45.3	22.7	17.5	11.7	6.9	1.9
Government	9.8	75.0	13.5	10.9	9.2	7.2	5.2
Insurance Company	5.7	38.8	13.7	8.6	4.0	0.3	0.0
Individual	2.8	62.8	7.6	0.8	0.2	0.1	0.0
Stock Ownership Plan	1.3	14.6	4.3	2.7	-	-	-
Pension Fund	0.8	2.6	1.4	1.1	0.8	0.4	0.3
Other	0.8	32.8	1.9	0.1	0.0	0.0	0.0
Holding Company	0.6	81.0	0.4	0.0	-	-	-
Brokerage	0.5	40.1	0.8	0.0	0.0	-	-
Foundation	0.4	41.5	0.0	-	-	-	-
Endowment	0.3	29.5	0.7	0.1	0.0	-	-
Hedge Fund Manager	0.2	14.4	0.4	0.1	0.0	-	-
Unclassified	0.2	14.5	0.0	-	-	-	-

Source: Bloomberg, Jefferies estimates

Simply looking at the average share ownership data would give the impression that investment advisors are the most important category of shareholders with the greatest power (38.8%). In fact, it would indicate that investment advisors are more powerful than the next two categories of shareholders, corporations (23.8%) and banks (12.4%), combined. This data however misses the point that what is important is not simply the type of shareholder, but whether they are allegiant or not; i.e. the total level of allegiant shareholders. We therefore need to categorize each type of shareholder into allegiant or non-allegiant.

Here one has to understand what each shareholder classification actually refers to, as many of the classifications can be misleading. "Investment advisors" include retail share ownership (through a brokerage account) as well as mutual funds. "Individuals" actually refer to large single shareholders, usually the founders and founding family members. We presume these individuals to be allegiant (i.e. we do not expect Masayoshi Son of Softbank or Nagamori of Nidec to vote against themselves). Certain other categories such as Holding Company, Other and Foundation, also are normally in the control of the founding family or a parent company. Similarly, Stock Ownership Plans should be assumed to be loyal to the company's management. While on average the proportion of shares held by these types of allegiant shareholdings is low, as can be seen in the maximum column in Table 1, for some companies these types of allegiant shareholdings can be large.

Banks and Insurance Companies are assumed to be loyal to management, although some of that ownership (though generally a small portion) represents funds managed by their asset management subsidiaries, which are signatories to the stewardship code. On the flip side, we assume that shares held by the government are generally non-allegiant as these mostly represent GPIF. However, for companies like Japan Tobacco, Inpex, Japex, NTT, etc. we explicitly adjust for the shares held by the ministries as being allegiant. Similarly, we assume that for most companies the shares held by brokers are non-allegiant. The exception here is where the brokers are the parent company (e.g. Nomura for NRI) or where a number of brokers combined have a meaningful shareholding (e.g. the case of Japan Exchange Group).

One final issue with the Bloomberg data is that it includes treasury shares. Furthermore, the treasury shares are usually, but not always, classified as corporate shareholders. In cases where the major shareholder is not a corporation, the treasury shares are categorized in the same classification as the major shareholder, e.g. government for Japan Tobacco or Japan Post. We adjust to remove the treasury shares and thus our total for allegiant shareholders is less than the sum of the individual categories of allegiant shareholder.

Table 2: Share ownership (%) by Category of shareowner

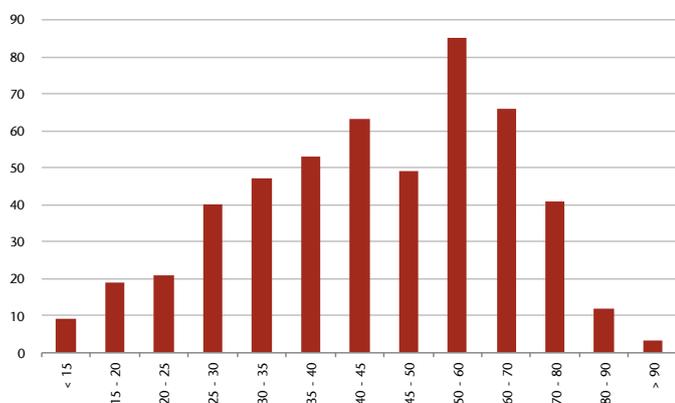
	Average	Maximum	Minimum	90th Percentile	75th Percentile	Median	25th Percentile	10th Percentile
Allegiant Corporation	46.8	97.0	6.9	70.5	59.0	45.2	33.9	25.3
Bank	23.8	96.5	-	53.1	33.3	18.0	9.6	3.9
Other Allegiant	12.4	45.3	-	22.7	17.5	11.7	6.9	1.9
Insurance Company	7.0	81.1	0.0	19.5	7.7	2.9	0.2	0.1
Non-Allegiant	5.7	38.8	-	13.7	8.6	4.0	0.3	0.0
Government	53.2	93.1	3.0	74.7	66.1	54.8	41.0	29.5
Investment Advisor	9.8	75.0	0.3	13.5	10.9	9.2	7.2	5.2
Other Non-Allegiant	38.8	76.1	1.9	58.7	49.3	38.9	27.0	19.5
Foreign	14.4	42.5	1.1	21.1	16.8	14.2	11.5	7.8
Other	32.5	96.4	1.6	52.1	41.6	30.3	21.0	14.6

Source: Bloomberg, Jefferies estimates

Allegiant vs. Non-Allegiant

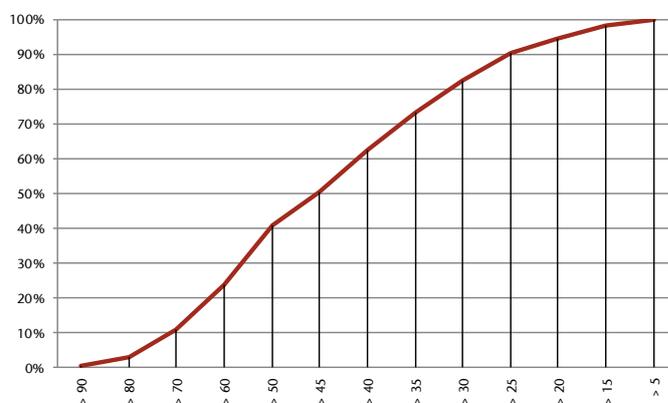
Table 2 above presents a more accurate picture of allegiant shareholders. A couple of things stand out. First, on average 47% of shares are held by allegiant shareholders. This means that unless all non-allegiant shareholders are united and vote against management, in general, management is quite secure against shareholder proposals they do not approve of. The second thing to note is that less than 25% of companies have an allegiant shareholder ratio of below 1/3 and only 10% of companies have allegiant shareholder ratio below 1/4. This means that the possibility of passing shareholder proposals that require a super-majority (i.e. 2/3 approval) only has a chance at less than 25% of companies. If one assumes that many non-allegiant shareholders will not bother to send in their proxies, then such a proposal may only realistically have a chance of success at 10% of companies. This data is presented graphically in Charts 5 and 6 below.

Chart 5: TOPIX500: Number of companies vs. Allegiant shareholding ratio (%)



Source: Bloomberg, Jefferies estimates

Chart 6: TOPX500: Cumulative % of companies vs. Allegiant shareholding ratio (greater than xx%)



Source: Bloomberg, Jefferies estimates

What is interesting to note is that companies that have high levels of allegiant shareholders do not have high levels of all the allegiant shareholder types (see Table 3 below). Most notably, high levels of corporate shareholders are negatively correlated with the level of bank shareholders at -0.49. In contrast to this, high levels of share ownership by banks are positively correlated with high levels of share ownership by insurance companies at +0.38.

Table 3: Correlation between types of allegiant shareholders

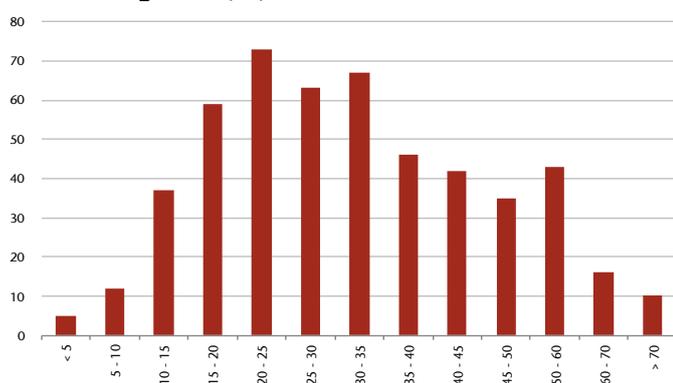
	Allegiant	Corporate	Other Allegiant	Insurance Company	Bank
Allegiant	1				
Corporate	0.72	1			
Other Allegiant	0.28	(0.14)	1		
Insurance Company	0.05	(0.27)	(0.28)	1	
Bank	(0.14)	(0.49)	(0.28)	0.38	1

Source: Bloomberg, Jefferies estimates

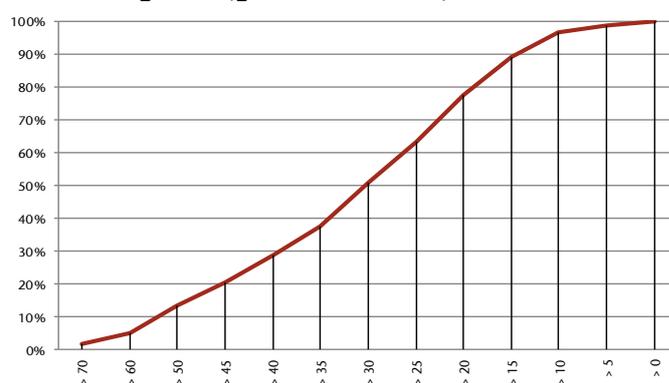
We therefore believe there are three categories of companies with high levels of allegiant shareholders based on their combination of shareholders. The first category is companies with mostly corporate shareholders (approx. 200 companies), the second is founder/family controlled companies (approx. 100) and the third is bank/insurance supported companies (approx. 100). This leaves approx. 100 companies with less than 1/3 allegiant shareholders. As we will show later in the report, these three types of protected companies have different characteristics in terms of performance and governance structures.

As Chart 5 above shows, there are fewer than 50 companies in the TOPIX500 that have less than 25% of shares in the hands of allegiant shareholders. In fact, there is only one company, SBI Holdings (8473 JP, NC), with less than 10% allegiant shareholders and only another 8 companies with less than 15% allegiant shareholders (see Table 15 which lists companies with less than 25% allegiant shareholding). We find that these companies have an average expected ROE for FY2 of 13%. Furthermore, they have much better than average board structures with an average board structure score of +60 compared to an average score of +34 for the TOPIX500 (see our 28 August 2017 report titled "[Board Structure Reform: Progress Stalling](#)" for our detailed scoring methodology and ranking of all 500 companies).

On the flip side, we find that 207 companies have over 50% of shares held by allegiant shareholders. Indeed, there are 78 companies with a super-majority, i.e. above 2/3 of shares held by allegiant shareholders. Table 16 lists companies with over 70% allegiant shareholdings, excluding companies with a foreign parent company. We find that these companies have an average consensus FY2 ROE of 9% (below the 10% average for the TOPIX500). They also have a low average board structure score of +20 (vs +34 for the TOPIX500).

Chart 7: TOPIX500: Number of companies vs. Foreign shareholding ratio (%)

Source: Bloomberg, Jefferies estimates

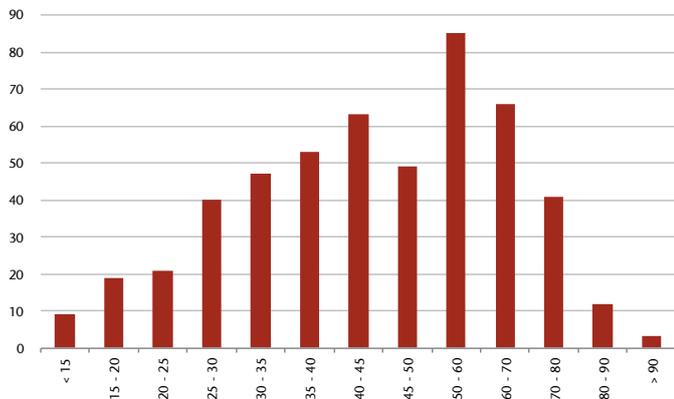
Chart 8: TOPX500: Cumulative % of companies vs. Foreign shareholding ratio (greater than xx%)

Source: Bloomberg, Jefferies estimates

Foreign Share ownership

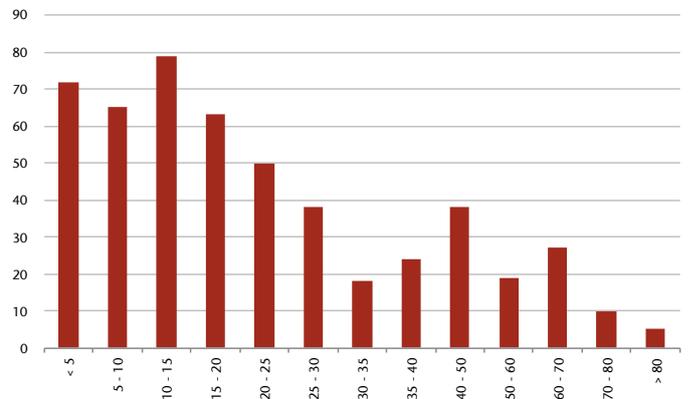
We find that the ratio of foreign share ownership varies across a wide band between 10% to 60% foreign ownership. Only 17 companies have foreign ownership below 10% and 26 companies have foreign ownership above 60%. The median foreign ownership is 30% and the average is 33%.

Chart 9: Allegiant Shareholders
Number of Companies vs. Allegiant Shareholder Ratio (%)



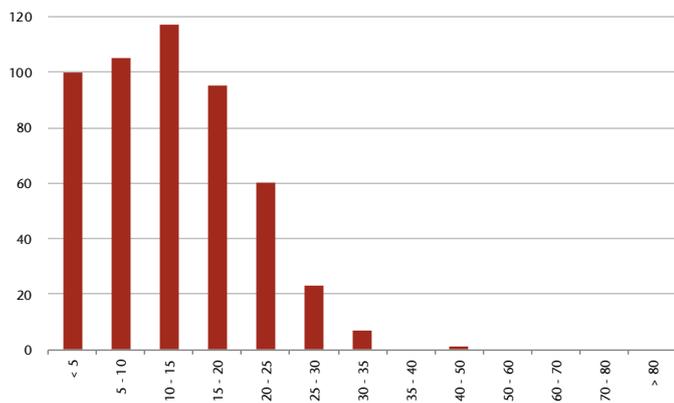
Source: Bloomberg, Jefferies estimates

Chart 12: Corporate Shareholders
Number of Companies vs. Corporate Shareholder Ratio (%)



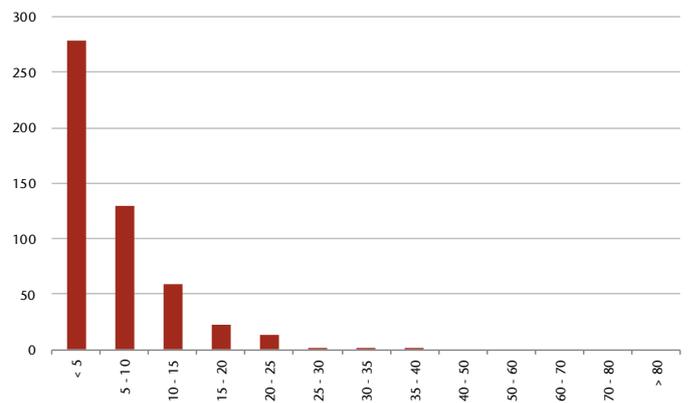
Source: Bloomberg, Jefferies estimates

Chart 10: Bank Shareholders
Number of Companies vs. Bank Shareholder Ratio (%)



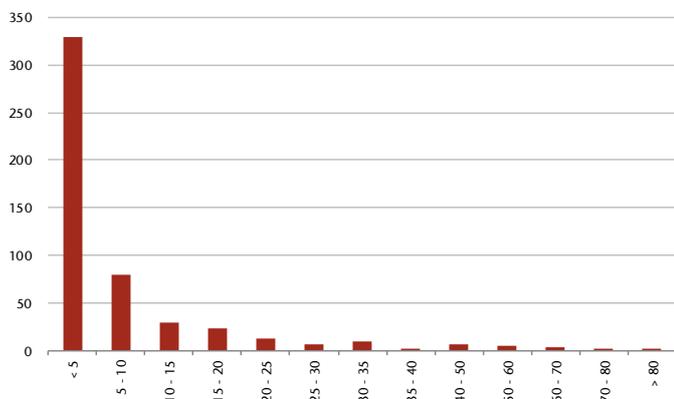
Source: Bloomberg, Jefferies estimates

Chart 13: Insurance Company Shareholders
Number of Companies vs. Insurance Co. Shareholders (%)



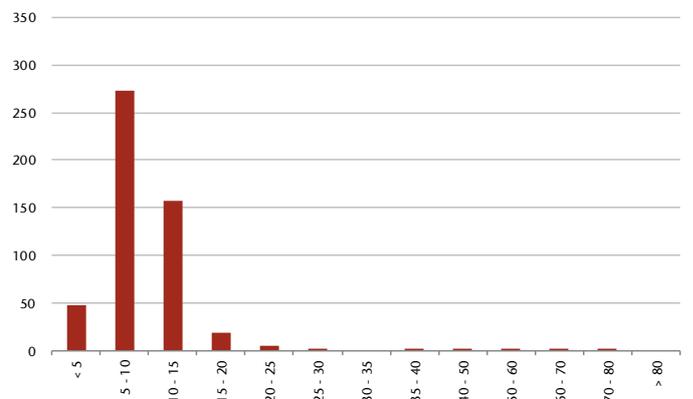
Source: Bloomberg, Jefferies estimates

Chart 11: Other Allegiant Shareholders
Number of Companies vs. Other Allegiant Shareholders (%)



Source: Bloomberg, Jefferies estimates

Chart 14: Government Shareholders
Number of Companies vs. Government Shareholders (%)



Source: Bloomberg, Jefferies estimates

Performance Characteristics

We find that there are meaningful differences in the performance characteristics of companies with high and low levels of allegiant shareholding as well as based on the specific type of allegiant or non-allegiant shareholders.

Table 4: Correlation of Performance Metrics with Shareholder Type

	Allegiant	Corporate	Other Allegiant	Insurance Company	Bank	Government	Other Non-Allegiant	Investment Advisor	Foreign
ROE									
2015-2017	(0.00)	(0.02)	0.13	(0.12)	(0.08)	(0.13)	(0.17)	0.06	0.16
Current	(0.07)	(0.06)	0.06	(0.09)	(0.04)	(0.13)	(0.10)	0.11	0.20
FY2 Cons. Est.	(0.16)	(0.11)	0.09	(0.19)	(0.06)	(0.19)	(0.17)	0.24	0.30
Dividend Payout									
2015-17	(0.07)	(0.05)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	0.08	0.09
Current	(0.08)	(0.03)	0.06	(0.11)	(0.06)	0.05	0.05	0.08	0.07
FY2 Cons. Est.	(0.01)	0.06	0.06	(0.15)	(0.11)	0.04	(0.02)	0.02	0.04
Growth	0.02	(0.04)	0.20	(0.09)	(0.11)	(0.10)	(0.09)	0.01	(0.00)
Net Cash / Assets	0.01	0.04	0.26	(0.18)	(0.28)	(0.11)	(0.07)	0.02	0.18

Source: Bloomberg, Jefferies estimates

ROE

When we look at recent past (2015-2017) or current ROE, we find a slight negative correlation with the level of total allegiant shareholding as well as for corporate, insurance company and bank shareholders. This negative correlation is much stronger for expected ROE (consensus FY2 ROE).

When we do regression analysis for FY2 ROE, we find strong negative relationships with the level of insurance company and corporate share ownership and a slight negative relationship with bank share ownership. Expected ROE does not have a negative relationship with the level of "other allegiant shareholding," which largely represents the founder/founder's family.

For non-allegiant shareholders, we find a strong positive correlation with ROE for investment advisors. However, the correlation for government and other non-allegiant shareholders is negative. This may be driven by the low ROEs of government affiliated companies such as Japan Post group, Inpex, Japax, Japan Tobacco and NTT group; rather than by share ownership by GPIF. Share ownership by foreigners is very strongly correlated with high ROEs.

Table 5: Regression of FY2 consensus ROE vs. Shareholder Type

	Coefficient	t-stat
Allegiant	(0.05)	(3.61)
Insurance Company	(0.19)	(4.74)
Corporate	(0.06)	(4.22)
Bank	(0.06)	(1.74)
Other Allegiant	(0.02)	(0.73)
Investment Advisors	0.09	5.61
Foreign	0.10	7.07

Source: Bloomberg, Jefferies estimates

Growth

In our analysis we use the median growth rate for peak EPS, DPS and BPS in 2016-2018 over the peak numbers just before the global financial crisis. In general, this should be a peak-to-peak growth rate and so should not include cyclicity for the different industries. We find modest correlations with growth. There is some meaningful positive correlation between high levels of other allegiant shareholders (founders/families) and growth. When we did the regression, this had a t-stat of 3.3, so the result is statistically significant. In the

regression analysis we found no other statistically significant result for shareholder structure and growth.

Table 6: Regression of 10-Year Peak-to-Peak Growth vs. Shareholder Type

	Coefficient	t-stat
Allegiant	0.01	0.48
Other Allegiant	0.12	3.29
Bank	(0.10)	(1.63)
Corporate	(0.03)	(1.21)
Insurance Company	(0.03)	(0.50)
Investment Advisor	0.00	0.15
Foreign	(0.00)	(0.04)

Source: Bloomberg, Jefferies estimates

Dividend Payout Ratio

In our regression analysis we use the current dividend payout ratio. There is meaningful negative correlation between high levels of allegiant shareholders and dividend payout (t-stat of 1.9) which is driven by insurance company and corporate shareholders (t-stats of 2.3 and 1.8 respectively). On the flip side there is a meaningful positive relationship between share ownership by Investment advisors (t-stat of 1.8) and a marginal positive relationship with foreign share ownership (t-stat of 1.6).

Table 7: Regression of Dividend Payout Ratio vs. Shareholder Type

	Coefficient	t-stat
Allegiant	(0.10)	(1.88)
Insurance Company	(0.37)	(2.32)
Corporate	(0.10)	(1.76)
Bank	(0.17)	(1.17)
Other Allegiant	(0.01)	(0.12)
Investment Advisor	0.11	1.78
Foreign	0.09	1.59

Source: Bloomberg, Jefferies estimates

Table 8: Regression of Net Cash (% of Total Assets) vs. Shareholder Type

	Coefficient	t-stat
Allegiant	0.01	0.14
Bank	(0.79)	(4.41)
Other Allegiant	0.38	3.60
Insurance Company	(0.27)	(1.35)
Corporate	(0.08)	(1.23)
Investment Advisors	0.03	0.41
Foreign	0.31	4.23

Source: Bloomberg, Jefferies estimates

Net Cash

The results for net cash are quite interesting. The obvious, logically expected result would be that companies with high levels of share ownership by banks should have high levels of debt. This is indeed the result we find, with a strong negative coefficient for net cash and a very high t-stat of 4.4. We find two strong correlations on the flip side, first that companies with other allegiant shareholders (mostly founder/family) have high levels of net cash. This could be explained by the high ROE and growth characteristics of these companies that may explain (if not fully justify) their high level of net cash. The other

strong positive relationship for high levels of net cash is with high levels of foreign shareholders.

Excess Return

We analyzed whether there was any correlation between the level of the different types of shareholders with the total excess return generated by each company. This analysis includes both share price performance and dividends.

We find that there is a negative correlation between having high levels of allegiant shareholders and excess return. Interestingly, we find that this negative correlation is strongest for shareholders that are insurance companies. There is however, a positive correlation between having “other allegiant” shareholders (primarily founders/founding families) and excess returns. This would match the results of our [17 November 2016 study of board structure and performance metrics](#) which showed a strong positive correlation between share ownership by board members and excess returns.

On the flip side we find that the positive correlation between excess returns and non-allegiant shareholders is from investment advisors (the majority of which are foreign).

Table 9: 1, 3 and 5-Year Excess Return: Correlation with Shareholder Type

	Allegiant	Corporate	Other Allegiant	Insurance Company	Bank	Government	Other Non-Allegiant	Investment Advisor	Foreign
1-Year	(0.09)	(0.06)	0.06	(0.09)	(0.05)	(0.11)	(0.05)	0.12	0.08
3-Year	(0.04)	(0.01)	0.15	(0.19)	(0.07)	(0.16)	(0.09)	0.07	0.04
5-Year	(0.08)	(0.07)	0.13	(0.13)	(0.05)	(0.15)	(0.07)	0.12	0.09

Source: Bloomberg, Jefferies estimates

As the correlation coefficients are not very high, we also did regression analysis to check the statistical significance level of the above results. We find that the results are statistically significant for the 1 and 5-year periods, but not for the 3-year period (other than for insurance company shareholders). The absolute level of returns over the 3-year period is small and the market bounced up and down during this period. This high volatility combined with a lack of clear market direction during the period may result in the low t-stats for the 3-year period.

Table 10: Regression Analysis: Excess Return vs. Shareholder structure

	1 Year		3 Year		5 Year	
	Coefficient	t-stat	Coefficient	t-stat	Coefficient	t-stat
Allegiant	(0.13)	(2.10)	(0.03)	(0.80)	(0.05)	(1.80)
Insurance Company	(0.38)	(1.90)	(0.39)	(3.66)	(0.22)	(2.55)
Corporate	(0.15)	(2.14)	(0.04)	(0.96)	(0.06)	(2.07)
Other Allegiant	(0.01)	(0.05)	0.10	1.72	0.07	1.42
Bank	(0.23)	(1.30)	(0.01)	(0.14)	(0.06)	(0.73)
Investment Advisor	0.21	2.81	0.07	1.64	0.09	2.61
Foreign	0.13	1.85	0.04	0.98	0.06	1.97

Source: Bloomberg, Jefferies estimates

The consistent, statistically significant negative excess returns for companies with higher levels insurance company shareholders is a curious result for which we do not have an explanation. It is however consistent with the negative correlation between high levels of insurance company share ownership and ROE as well as dividend payout. Why insurance companies tend to hold the shares of badly performing companies we cannot explain.

High levels of corporate shareholders generate negative excess returns for both the 1 and 5-year periods with t-stats above 2. The t-stats for other allegiant shareholders (positive coefficient) and bank shareholders (negative coefficient) are not statistically significant.

The second strongest results are for investment advisors where there is a positive correlation with excess returns. Foreign shareholders also have a positive correlation with statistically significant results for the 1 and 5-year time periods.

Board Structure Characteristics

Next, we examine the relationship between the various types of shareholders with the board governance structures (see our [28 August 2017 report](#) for the full details of our board structure scoring methodology). We measure board structure in terms of five characteristics: outside influence, shareholder alignment, skills, diversity and entrenchment.

It is immediately noticeable that high levels of allegiant shareholders are negatively correlated with board governance structures whereas high levels of non-allegiant shareholders such as investment advisors and foreigners are positively correlated with good board structures.

Table 11: Correlation between Board Governance Structure and Shareholder Type

	Allegiant	Corporate	Other Allegiant	Insurance Company	Bank	Government	Other Non-Allegiant	Investment Advisor	Foreign
Total Score	(0.16)	(0.13)	0.09	(0.12)	(0.08)	(0.07)	(0.07)	0.21	0.31
Outside Influence	(0.21)	(0.15)	(0.06)	(0.03)	0.02	0.06	0.03	0.24	0.26
Shrhldr Alignment	(0.06)	(0.13)	0.30	(0.16)	(0.12)	(0.12)	(0.05)	0.09	0.17
Skills	(0.07)	(0.05)	0.03	(0.08)	0.00	(0.06)	(0.04)	0.09	0.15
Diversity	(0.02)	(0.00)	0.04	(0.07)	(0.07)	0.05	(0.04)	0.04	0.20
Entrenchment	(0.02)	0.01	0.03	(0.06)	(0.10)	(0.13)	(0.13)	0.07	0.11

Source: Bloomberg, Jefferies estimates

As with performance metrics such as ROE, dividend payout and excess return, the relationship with shareholder type and board governance structures is complex. We examine the subtleties in more detail using regression analysis so as to judge the statistical significance of the relationships.

First, in terms of the Total Score for board structure (when running the regression on shareholder type), we find that the negative relationship with allegiant shareholders is very strong and comes from corporate, insurance company and bank shareholders. Other allegiant shareholders (founders/family) do not have a meaningful relationship with the total score. This however hides strong relationships with the constituent characteristics, with an exceptionally strong positive relationship with shareholder alignment and a strong negative relationship with outside influence.

Non-allegiant shareholders, particularly investment advisors and also foreign shareholders have strong positive relationships with board structure scores.

Table 12: Regression Analysis of Board Governance Structure vs. Shareholder Type

	Total Score		Outside Influence		Shrhldr Align		Entrenchment		Skills		Diversity	
	Coeff.	t-stat	Coeff.	t-stat	Coeff.	t-stat	Coeff.	t-stat	Coeff.	t-stat	Coeff.	t-stat
Allegiant	(0.50)	(3.67)	(0.12)	(3.25)	(0.11)	(2.26)	0.02	0.42	0.02	0.24	0.15	1.45
Corporate	(0.69)	(4.76)	(0.12)	(3.25)	(0.11)	(2.26)	0.02	0.42	0.02	0.24	0.15	1.45
Insurance Co.	(1.23)	(2.93)	0.02	1.31	(0.06)	(3.77)	(0.02)	(1.52)	(0.03)	(1.55)	(0.05)	(1.44)
Bank	(1.10)	(2.92)	0.03	1.68	(0.06)	(3.16)	(0.05)	(2.72)	0.00	0.17	(0.08)	(1.97)
Other Allegiant	(0.15)	(0.65)	(0.08)	(3.75)	0.22	7.65	0.04	1.45	0.06	1.67	0.10	1.61
Invnt Advisor	0.76	4.86	0.14	4.84	0.05	1.37	0.03	1.00	(0.02)	(0.39)	(0.11)	(1.42)
Foreign	1.06	7.28	0.09	3.19	0.13	3.35	0.07	2.02	0.03	0.64	0.19	2.33

Source: Bloomberg, Jefferies estimates

Looking in more detail, we find that the negative relationship between allegiant shareholders and board structure is coming largely from a negative relationship with outside influence and shareholder alignment. The negative relationship with outside influence is particularly strong for corporate shareholders and other allegiant shareholders (founders/family). Low shareholder alignment is for companies with high levels of corporate, insurance company and bank shareholders. However, other allegiant shareholders (founders/family) are very strongly positively correlated with shareholder alignment.

A couple of interesting observations are that banks and insurance companies may have a weak positive relationship with outside influence, which is good to know. However, we also find that high levels of share ownership by banks are related to entrenchment and a lack of diversity. We saw in the previous section that share ownership by banks is related to high debt levels. It may be the case that given the high debt levels of their investee companies, banks prefer the stability of having a known (entrenched) management and since senior bankers are all Japanese men, prefer to deal with Japanese men at their investee companies (hence the lack of diversity).

Foreign investors seem to like companies with good board structure for all characteristics. The only characteristic for which the positive relationship is not statistically significant is for skills, i.e. backgrounds of the independent directors of the investee companies.

In a similar vein, other allegiant shareholders (i.e. founders/family run companies) have positive relationships with all board structure metrics except for outside influence, which they strongly dislike. They very strongly like shareholder alignment, but also have weakly statistically significant positive relationships with diversity, outside director skills and entrenchment. What this may indicate is that they are looking for competence (including women/foreigners) and intolerant of incompetence/complacency, thus quickly replacing directors who do not perform.

Selecting Targets for Activism

The above analysis results in some potentially very interesting conclusions about the need for differentiated strategies based on the dominant type of shareholder. First, which companies should be selected for activism; and second, who should be approached and how?

To summarize the above analysis, we would say that among the TOPIX500 companies there are four types of companies based on the dominant type of shareholder:

- Non-allegiant Shareholders (approx.100 companies)
- Founder/Family Allegiant Shareholders (approx.100)
- Bank/Insurance Company Allegiant Shareholders (approx.100)
- Corporate Allegiant Shareholders (approximately 200)

Non-allegiant Shareholders

The easiest targets would naturally be companies that are not protected by a high level of allegiant shareholders. As the above analysis shows, these tend to be companies with high ROE and above average dividend payout ratios. Nonetheless, those companies in this category that have inefficiencies, could be good targets for activism. As they have high outside influence scores, cultivating their independent directors may be a strategy to get a fair hearing.

Founder/Family Allegiant Shareholders

These companies tend to have high growth but average ROEs. The average ROE may be because of the large net cash holdings. As these companies have high shareholder alignment, they may be open to respectful approaches by shareholders to explore means of increasing their corporate value. If the founder/family is not directly managing the

company but has installed professional managers, then they could also become allies to the long-term activist investor.

Bank/Insurance Company Allegiant Shareholders

These companies tend to have low growth, low ROEs and high debt levels. There could be value to be created by restructuring these companies. Unfortunately, these companies tend to have entrenched boards with low shareholder alignment. However, as they have high outside influence scores, cultivating their independent directors may be a strategy to get a fair hearing, especially if the proposal is one that could be of benefit to their bank shareholders in that it generated lending or fee generation opportunities.

Corporate Allegiant Shareholders

These companies tend to have low growth, low ROEs, low dividend payout and moderate debt levels. There could be value to be created by leveraging up and restructuring these companies. Unfortunately, these companies tend to have entrenched boards with low shareholder alignment and low outside influence. They will be the hardest nuts to crack, but could provide the greatest upside if they reformed.

On Table 13 we list low ROE companies that may be among the hardest to crack because of high levels of allegiant shareholders and poor board governance scores. Table 14 lists easier to crack companies with low ROE, but low levels of allegiant shareholders and good board governance scores.

Table 15 lists the companies with the lowest allegiant shareholder level while Table 16 lists the companies with the highest level. Table 17, 18 and 19 list companies with the highest other allegiant, banks/insurance company and corporate shareholders. Tables 20 and 21 list the companies with the lowest and highest levels of foreign shareholders.

Principle 1.4 Cross-Shareholdings

While allegiant shareholders, particularly corporates, are a significant barrier to activist investors, we believe the level of allegiant corporate shareholders will slowly decline. The Corporate Governance Code was revised on 1 June 2018. One of the key areas of [revision is to Principle 1.4 Cross Shareholdings](#). Specifically, the revised code now states:

“Principle 1.4 Cross Shareholdings

*When companies hold shares of other listed companies as cross-shareholdings², they should disclose their policy with respect to doing so, including **their policies regarding the reduction of cross-shareholdings**. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and **whether the benefits and risks from each holding cover the company’s cost of capital**. The results of this assessment should be disclosed.*

*Companies should **establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards**.*

Supplementary Principles

*1.4.1 When cross-shareholders (i.e., shareholders who hold a company’s shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies **should not hinder the sale of the cross-held shares** by, for instance, implying a possible reduction of business transactions.*

*1.4.2 Companies should **not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders** by, for instance, continuing the transactions without carefully examining the underlying economic rationale.*

² *Cross-shareholding: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.*"

The revisions address several major issues with cross shareholdings in Japan (which we have highlighted in the transcript above). First, that cross-shareholdings should be reduced. Second, that the shareholdings should cover the cost of capital. Third, that there should be clear standards for how the cross-held shares will be voted. Fourth, that they will not hinder the sale of cross-held shares. Fifth, that the company should not engage in transactions with cross-shareholders that could harm the interests of their own shareholders.

This revision to the Corporate Governance Code should reduce the value of having cross shareholdings and over time result in their reduction. The more aggressively institutional investors question companies on their cross shareholdings and challenge them with non-compliance of the Corporate Governance Code, especially for holding the shares of underperforming companies, the faster the unwind will likely happen.

Stronger voice for minority shareholders

While the recently implemented revisions to the Corporate Governance Code are good, they do not adequately address a key issue, which is they do not directly protect the rights of minority shareholders.

Minority shareholders need greater protection and a stronger voice. This could be achieved by a number of mechanisms:

- Rules could be set that companies that have a single shareholder with greater than some percentage of shares (e.g. 33%, or maybe even 20%) must adopt a 3-Committee board structure and have a majority of independent directors. Current adoption of the 3-Committee structure is very low, with only 38 companies in the TOPIX500 adopting this structure. Probably part of the reason why companies avoid adopting this structure is that it requires each of the committees to have a majority of independent directors.
- If over some percentage of shareholders vote against an AGM proposal by the company (e.g. 20%), the company must appoint a lead independent director who is tasked to engage with the dissenting shareholders. On the flip side, if a shareholder proposal receives over 20% support then a lead independent director must be appointed and tasked with engaging with shareholders on this proposal.
- If over some percentage of shareholders vote against reappointment of a director (e.g. 30%), the director must engage every quarter with shareholders to explain their board activities.

Setting such requirements would enhance the "Explain" part of the Corporate Governance Code and force the companies to engage actively with shareholders on all matters where there is meaningful opposition or concern by minority shareholders. These proposals should not be particularly controversial in our opinion as some Japanese companies have already adopted such a stance in their corporate governance principles.

For example, in its [Corporate Governance Policies](#), Omron (6645 JP, Hold, TP ¥6,500) states in section 2.1(2) Securing the Rights of Shareholders:

"The Board of Directors will sincerely accept the results of the exercise of voting rights. Should votes against the OMRON Group's proposal exceed 30%, the Board will analyze the reasons behind opposing votes and take necessary measures such as engaging in dialogue with shareholders."

Table 13: Low ROE (Consensus FY2 Est.) companies with over 50% allegiant shareholders and below average board structure scores

Ticker	Name	Sector	Market Cap (Yen Bn)	Allegiant (%)	Corporate	Other Allegiant	Insurance Company	Banks	Government	Other Non-Allegiant	Investment Advisors	Foreign	Total Score	Entrenchment	Outside Influence	Skills	Diversity	Shareholder Alignment	ROE FY2 (%)
4547	Kissei Pharma	Healthcare	152	65.69	37.26	8.58	8.00	16.53	6.44	13.10	21.21	21.15	-20	-35	15	-10	0	10	1.8
8369	Bank of Kyoto	Financials	429	57.11	22.25	0.27	20.31	14.47	7.83	10.02	32.87	22.91	-15	-30	20	-30	10	15	1.9
4506	Sumitomo Dainippon	Healthcare	888	79.78	68.64	1.61	5.56	4.00	3.39	4.85	15.37	7.76	-5	-25	40	-25	0	5	2.5
1662	Japan Petroleum Expl	Materials	150	69.61	12.71	49.86	0.15	6.89	49.74	5.75	24.64	32.73	-55	-50	10	-25	10	0	2.5
7180	Kyushu Financial Group	Financials	238	68.16	18.72	10.71	13.83	25.73	9.14	12.66	19.19	16.01	-25	-20	5	-10	0	0	2.8
8359	Hachijuni Bank	Financials	247	62.25	21.59	0.44	19.41	21.36	9.43	12.86	24.89	29.75	30	-25	15	5	10	25	2.8
6417	Sankyo	TMT	399	61.86	50.95	11.55	0.07	4.45	5.76	11.31	26.83	29.70	20	-25	0	0	0	45	2.8
8524	North Pacific Bank	Financials	145	58.64	12.81	0.18	38.79	6.87	10.58	14.27	27.10	32.60	-5	-40	15	-10	20	10	2.9
8341	77 Bank	Financials	185	59.32	11.87	0.53	34.78	13.50	10.83	16.12	24.57	23.10	0	-65	55	-10	0	20	3.4
7911	Toppan Printing	TMT	621	56.31	28.40	4.23	12.22	15.60	8.94	16.21	27.49	21.31	-25	-55	15	-15	10	20	3.6
4665	Duskin	TMT	146	56.17	37.09	17.81	0.03	3.26	16.70	22.01	21.82	18.19	25	0	10	-5	10	10	3.6
8366	Shiga Bank	Financials	150	52.67	21.03	4.77	16.33	11.57	11.44	15.77	31.56	30.49	-20	-20	5	-30	10	15	3.7
4581	Taisho Pharma	Healthcare	1,056	83.85	28.89	51.55	0.58	11.58	4.90	7.64	8.51	7.77	30	-35	5	-10	0	70	3.7
9301	Mitsubishi Logistics	Transportation	203	56.17	31.82	0.22	10.80	13.52	6.44	8.61	35.22	14.28	-45	-50	10	-5	0	0	3.9
9401	Tokyo Broadcasting Sys	TMT	406	78.08	68.16	0.19	4.84	4.90	7.33	10.19	11.73	11.02	-15	-40	15	0	0	10	4.0
8368	Hyakugo Bank	Financials	115	59.39	16.23	4.97	18.93	19.33	11.31	16.76	23.85	24.59	5	-35	20	-10	0	30	4.0
3865	Hokuetsu Kishu Paper	Materials	126	68.57	46.69	4.09	6.03	15.57	5.85	10.35	21.08	12.83	-40	-35	5	-20	0	10	4.2
9409	TV Asahi	TMT	251	82.48	79.32	3.41	0.02	-	4.94	5.63	11.90	8.59	-25	-70	45	-5	0	5	4.4
9504	Chugoku Elec Pwr	Utilities	530	52.54	4.41	14.88	8.20	22.13	28.70	15.58	31.88	20.88	30	-35	50	0	10	5	4.4
9303	Sumitomo Warehouse	Transportation	122	57.59	43.35	0.21	6.32	8.17	9.81	12.92	29.49	20.42	-30	-40	5	-5	0	10	4.8
1605	Inpex	Materials	1,767	56.60	21.24	34.96	0.23	0.14	35.03	5.54	37.86	35.42	10	-30	40	-10	10	0	4.9
9075	Fukuyama Transporting	Transportation	307	82.31	45.87	21.67	10.21	8.29	4.76	7.91	9.78	9.24	-40	-70	25	-5	10	0	5.0
9601	Shochiku	TMT	215	71.88	52.85	4.80	0.01	14.70	9.62	12.06	16.06	7.62	-20	-40	5	5	10	0	5.0
8544	Keiyo Bank	Financials	139	63.58	8.13	5.08	21.12	33.06	8.97	15.69	20.73	21.82	-30	-25	20	-35	0	10	5.0
8609	Okasan Securities	Financials	115	61.91	10.49	2.37	16.13	29.86	9.13	13.41	24.68	13.85	10	-15	35	-25	0	15	5.0
8388	Awa Bank	Financials	155	61.12	28.19	6.22	13.25	14.99	11.11	17.68	21.20	19.83	0	-30	5	20	0	5	5.0
8361	Ogaki Kyoritsu Bank	Financials	116	54.61	27.67	5.63	6.42	14.96	12.32	16.12	29.27	20.22	-35	-35	5	-30	0	25	5.0
7222	Nissan Shatai	Automotive	151	52.92	58.76	2.06	0.01	-	3.62	13.81	33.27	40.56	15	5	15	-10	0	5	5.0
8336	Musashino Bank	Financials	118	50.15	9.88	4.61	8.18	27.98	13.72	20.62	29.23	23.97	10	-30	5	5	10	20	5.0
9505	Hokuriku Elec Pwr	Utilities	231	55.77	4.27	22.53	6.57	22.16	26.37	12.21	32.02	15.70	-15	-30	20	-5	0	0	5.1
9404	Nippon Television	TMT	502	70.15	65.27	6.34	0.06	-	9.24	13.00	16.85	14.24	-20	-40	20	-20	0	20	5.1
9533	Toho Gas	Utilities	374	63.65	15.35	4.04	16.07	28.20	10.82	15.28	21.07	16.52	-20	-15	5	-10	0	0	5.2
5444	Yamato Kogyo	Materials	229	56.27	29.47	17.05	0.02	10.44	8.55	12.70	31.03	30.24	-20	-50	15	-15	5	25	5.2
8379	Hiroshima Bank	Financials	241	57.65	22.25	0.98	18.78	15.84	12.16	15.21	27.14	15.72	10	-25	25	-25	10	25	5.4
2002	Nisshin Seifun Group	Consumer	693	59.75	29.66	0.17	11.77	19.17	7.46	9.74	30.51	10.35	5	-30	35	-20	0	20	5.7
6201	Toyota Industries	Automotive	2,063	74.60	66.37	2.11	7.29	0.19	6.02	9.19	16.21	14.05	0	-30	15	-5	0	20	5.7
9076	Seino	Transportation	431	59.33	19.80	21.47	8.62	11.97	8.56	14.62	26.05	23.89	10	-25	20	0	10	5	5.7
9706	Japan Airport Terminal	Transportation	433	67.19	51.57	0.25	2.57	14.12	9.15	11.12	21.69	19.75	-50	-80	25	0	0	5	5.8
5463	Maruichi Steel Tube	Materials	338	64.49	39.68	16.36	0.77	14.73	7.44	14.00	21.51	22.12	5	-55	35	-10	0	35	5.9
7230	Nissin Kogyo	Automotive	125	64.89	50.56	3.97	0.02	10.57	6.72	9.62	25.49	24.65	10	10	5	-10	0	5	6.0
2212	Yamazaki Baking	Consumer	506	71.30	53.84	2.76	6.45	8.38	7.70	10.31	18.39	12.28	-50	-70	0	-25	10	35	6.0
5451	Yodogawa Steel Works	Materials	101	53.86	44.85	4.97	3.75	10.95	8.36	21.52	24.62	23.11	-25	-45	15	-10	0	15	6.0
8129	Toho	Healthcare	211	56.57	53.38	8.36	0.09	2.12	9.09	16.84	26.59	18.00	15	-65	40	0	10	30	6.1
9502	Chubu Elec Pwr	Utilities	1,269	50.80	2.29	4.34	15.58	28.68	12.24	14.95	34.25	26.37	10	-15	20	-10	10	5	6.4

Source: Bloomberg, Jefferies estimates

Table 14: Low ROE (Consensus FY2 Est.) companies with less than 45% allegiant shareholders and above average board structure scores

Ticker	Name	Sector	Market Cap (Yen Bn)	Allegiant (%)	Corporate	Other Allegiant	Insurance Company	Banks	Government	Other Non-Allegiant	Investment Advisor	Foreign	Total Score	Entrenchment	Outside Influence	Skills	Diversity	Shareholder Alignment	ROE FY2 (%)
8377	Hokuhoku FG	Financials	203	43.46	23.10	0.34	14.73	5.77	16.08	24.37	32.17	29.45	70	-20	65	15	0	10	2.8
9861	Yoshinoya	Consumer	138	30.58	13.78	0.33	2.55	14.55	19.67	25.26	44.16	24.60	50	5	30	-10	10	15	3.0
6925	Ushio	Electronics	193	35.91	15.91	3.34	6.76	16.17	7.28	15.94	48.15	50.47	75	-65	75	25	10	30	4.7
4062	Ibiden	Electronics	236	30.69	17.60	6.19	0.00	7.52	8.80	13.81	55.50	54.16	115	-5	70	20	10	20	4.8
8219	Aoyama Trading	Consumer	214	35.17	23.42	7.39	0.02	11.38	7.53	16.27	48.56	46.30	70	-30	25	5	0	70	4.9
8130	Sangeitsu	Consumer	149	38.93	10.70	12.58	0.02	18.19	9.43	13.47	47.60	44.63	80	-15	65	5	10	15	5.0
9832	Autobacs Seven	Consumer	168	33.31	18.12	16.72	0.03	-	9.98	13.67	53.02	49.14	50	10	40	-15	10	5	5.0
8140	Ryosan	Electronics	111	28.33	21.64	0.18	6.25	12.04	8.42	24.54	47.13	53.94	80	0	60	15	0	5	5.0
9107	Kawasaki Kisen	Transportation	214	17.69	12.16	0.08	3.97	2.07	5.58	15.17	67.14	65.90	45	-10	50	-15	0	20	5.0
8184	Shimachu	Consumer	161	13.15	13.26	0.06	0.10	7.75	12.36	24.75	62.10	65.32	50	-20	45	15	10	0	5.0
7186	Concordia FG	Financials	760	38.64	15.56	0.10	17.05	6.50	12.65	16.52	44.85	38.35	35	-30	45	0	0	20	5.5
7011	Mitsubishi Heavy	Machinery	1,371	34.52	12.62	0.28	5.50	16.39	11.63	14.68	50.81	36.63	65	-30	70	-15	20	20	5.6
5406	Kobe Steel	Materials	397	38.88	17.57	0.67	5.29	15.71	15.34	18.07	43.05	26.35	80	-25	65	10	0	30	5.8
8303	Shinsei Bank	Financials	446	32.16	0.04	3.80	12.52	22.08	8.12	36.90	30.95	55.28	75	-15	40	-5	20	35	5.8
8750	Dai-ichi Life Ins.	Financials	2,395	30.10	6.49	0.09	5.20	20.32	9.85	15.56	54.35	49.39	120	-30	80	35	20	15	5.8
8411	Mizuho FG	Financials	4,816	28.80	16.48	0.10	0.74	11.55	16.93	23.02	48.18	44.63	145	-30	120	5	20	30	5.8
8306	Mitsubishi UFJ FG	Financials	9,182	32.39	16.81	0.13	5.14	14.10	12.29	19.70	47.91	50.89	200	-25	100	45	50	30	5.8
7752	Ricoh	Electronics	711	25.35	4.61	2.42	6.98	13.47	9.38	13.17	61.48	50.75	50	-15	50	0	10	5	5.9
9783	Benesse	Consumer	411	27.50	2.39	23.08	0.05	8.09	6.71	15.73	56.77	60.90	75	5	50	5	0	15	6.0
4902	Konica Minolta	Electronics	491	28.62	4.25	0.14	6.27	19.13	8.62	12.17	59.21	39.50	105	-25	90	0	0	40	6.4
6701	NEC	Electronics	776	23.65	4.37	3.36	5.96	10.18	15.42	20.07	56.28	47.39	85	-20	50	5	10	40	6.4
8309	Sumitomo Mitsui Trust	Financials	1,767	33.18	24.95	0.24	0.11	9.62	11.53	17.67	49.16	43.31	135	-25	120	20	10	10	6.5
9531	Tokyo Gas	Utilities	1,371	37.39	6.42	3.02	24.14	4.01	11.82	15.67	46.95	35.78	35	-20	30	0	10	15	6.5
8595	Jafco	Financials	146	17.89	0.01	13.18	1.46	2.99	10.32	6.35	75.75	53.74	35	-5	40	0	0	0	6.7
2432	DeNA	TMT	316	43.34	16.67	20.90	0.09	8.70	6.67	11.34	45.33	40.69	90	-15	45	-10	10	60	6.9
8316	Sumitomo Mitsui FG	Financials	6,272	30.19	9.20	0.07	0.34	20.77	11.67	14.98	54.84	47.20	150	-30	100	30	20	30	6.9
4186	Tokyo Ohka Kogyo	Electronics	184	33.62	16.21	2.54	6.15	11.08	6.49	14.41	51.97	36.54	40	10	5	5	10	10	6.9
8795	T&D	Financials	1,133	30.79	13.95	0.14	8.32	12.04	11.43	21.48	47.73	40.30	50	-10	30	10	10	10	7.0
8802	Mitsubishi Estate	Real Estate	2,719	43.79	15.13	0.08	7.07	21.63	9.37	13.93	42.27	43.89	70	-45	95	-15	10	25	7.0
4541	Nichi-iko Pharma	Healthcare	99	42.75	24.44	11.49	0.53	11.41	10.46	20.17	37.08	24.08	40	-10	20	0	0	30	7.0
8308	Resona	Financials	1,397	30.57	3.39	0.27	16.26	10.93	15.98	21.75	47.68	45.10	160	-5	110	15	10	30	7.2
5201	Asahi Glass	Materials	1,010	41.09	18.44	5.15	9.65	10.45	10.02	16.49	42.42	30.47	60	-15	45	-5	10	25	7.4
4578	Otsuka	Healthcare	3,012	36.04	19.61	11.13	0.20	7.31	10.38	33.74	30.22	22.04	45	-20	35	-15	0	45	7.4
7936	Asics	Consumer	355	27.02	11.89	0.08	3.73	15.23	8.34	16.39	56.59	48.29	60	-15	45	15	0	15	7.5
2784	Alfresa	Healthcare	649	34.09	34.36	5.47	0.17	0.13	12.92	23.22	42.69	41.64	35	-15	25	0	20	5	7.6
6502	Toshiba	Electronics	1,982	21.08	1.61	2.86	7.59	9.09	7.22	23.27	55.64	71.51	135	-20	130	10	10	5	7.6
6754	Anritsu	Electronics	197	11.77	0.88	0.25	4.06	7.08	11.29	17.54	70.69	43.15	120	-5	85	10	0	30	7.7
6370	Kurita Water	Machinery	375	43.72	13.81	0.61	10.43	20.86	12.20	18.46	37.83	40.88	40	-5	25	-10	10	20	7.7
3086	J Front Retailing	Consumer	458	37.35	9.65	4.07	10.27	15.66	12.54	17.16	45.50	26.82	95	-30	90	-5	10	30	8.0
2282	NH Foods	Consumer	483	37.14	3.39	0.76	12.08	20.91	7.57	11.53	51.34	27.52	45	-10	35	-5	10	15	8.2
8601	Daiwa Securities	Financials	1,072	24.22	4.30	6.25	3.24	9.54	13.71	21.48	54.30	46.41	85	-35	100	-15	20	15	8.3
6592	Mabuchi Motor	Electronics	343	39.09	15.70	22.61	0.03	2.63	7.52	10.84	50.07	33.02	35	10	15	-10	0	20	8.3
8604	Nomura	Financials	2,051	17.33	3.04	6.84	0.09	6.59	14.73	24.72	57.95	62.68	125	-30	100	10	20	25	8.5
8766	Tokio Marine	Financials	3,850	36.18	13.75	0.10	7.56	16.78	11.89	17.66	46.15	45.05	45	-40	55	0	10	20	8.6

Source: Bloomberg, Jefferies estimates

Table 15: Lowest Allegiant Shareholders Companies have an Average 13% Expected ROE for FY2 and an Average Board Structure Score of +60 (vs. TOPIX500 Avg. of +34)

Ticker	Name	Sector	Market Cap (Yen Bn)	Allegiant (%)	Corporate	Other Allegiant	Insurance Company	Banks	Government	Other Non-Allegiant	Investment Advisor	Foreign	Total Score	Entrenchment	Outside Influence	Skills	Diversity	Shareholder Alignment	ROE FY2 (%)
8473	SBI Holdings	Financials	655	6.91	0.06	4.43	0.03	4.07	9.60	17.01	76.07	64.75	85	-5	20	5	20	45	9.9
6754	Anritsu	Electronics	197	11.77	0.88	0.25	4.06	7.08	11.29	17.54	70.69	43.15	120	-5	85	10	0	30	7.7
6857	Advantest	Electronics	503	12.39	13.66	0.03	0.00	8.75	5.21	16.64	70.97	39.86	65	-10	75	-20	5	15	19.0
8184	Shimachu	Consumer	161	13.15	13.26	0.06	0.10	7.75	12.36	24.75	62.10	65.32	50	-20	45	15	10	0	5.0
2768	Sojitz	Materials	487	13.38	1.67	1.60	0.60	9.54	10.99	17.67	68.95	59.39	-10	-15	25	-30	10	0	9.7
6762	TDK	Electronics	1,257	14.18	3.80	0.05	2.54	10.07	8.21	13.49	72.33	33.57	95	0	75	-5	0	25	10.3
6758	Sony	Electronics	6,447	14.35	0.30	0.05	0.23	13.86	9.17	12.23	73.42	66.39	220	-5	130	40	25	30	14.1
8253	Credit Saison	Financials	337	14.74	16.28	0.19	0.03	9.77	8.15	23.75	61.51	50.55	-25	-55	10	-15	20	15	8.0
4704	Trend Micro	TMT	840	14.82	2.00	5.47	0.03	9.07	7.88	11.54	73.65	41.67	35	-40	5	-20	25	65	16.5
5202	Nippon Sheet Glass	Materials	97	15.07	3.33	2.69	0.68	8.38	16.91	21.93	63.00	33.47	165	-5	125	5	15	25	11.1
5232	Sumitomo Osaka Cement	Materials	204	15.53	14.85	0.12	2.78	0.20	10.02	17.05	67.42	51.19	-40	-30	15	-30	0	5	7.2
8304	Aozora Bank	Financials	509	15.66	-	0.10	0.19	16.55	20.03	25.49	58.86	39.06	45	-15	50	0	0	10	8.6
9962	MISUMI Group	Machinery	897	16.41	0.06	2.36	0.12	13.90	10.67	21.87	61.72	59.57	25	-20	30	-15	0	30	16.6
9201	Japan Airlines	Transportation	1,489	16.90	6.57	0.06	2.28	8.61	14.31	21.53	61.56	55.60	50	-15	40	-15	20	20	10.3
8604	Nomura	Financials	2,051	17.33	3.04	6.84	0.09	6.59	14.73	24.72	57.95	62.68	125	-30	100	10	20	25	8.5
7988	Nifco	Automotive	401	17.33	3.35	4.53	4.91	7.34	12.00	17.43	65.24	57.01	-30	-35	15	-20	0	10	14.9
8591	ORIX	Financials	2,411	17.59	3.58	0.25	0.38	16.16	10.54	16.50	65.91	63.76	125	-20	100	-20	25	40	11.2
9107	Kawasaki Kisen Kaisha	Transportation	214	17.69	12.16	0.08	3.97	2.07	5.58	15.17	67.14	65.90	45	-10	50	-15	0	20	5.0
1821	Sumitomo Mitsui Const.	Real Estate	119	18.15	9.89	0.06	0.04	8.24	14.85	24.48	57.37	40.65	-10	-15	15	-20	10	0	24.0
6988	Nitto Denko	Chemicals	1,480	18.33	10.37	0.06	2.57	12.28	6.86	15.92	65.75	52.23	35	-5	30	-5	0	15	13.3
7974	Nintendo	TMT	6,180	18.42	18.94	0.03	0.32	13.77	6.08	22.84	58.75	68.71	75	5	40	15	0	15	20.0
7453	Ryohin Keikaku	Consumer	1,039	18.64	19.42	0.11	0.38	4.45	9.70	24.42	56.93	62.15	65	-5	50	-5	0	25	18.4
6770	Alps Electric	Electronics	506	18.65	3.75	0.66	5.78	9.42	9.34	11.77	69.58	36.67	50	-25	30	20	0	25	14.5
1878	Daito Trust Constr	Real Estate	1,352	18.82	6.43	2.65	0.76	9.80	9.49	12.95	68.22	56.55	60	5	20	10	10	15	27.9
5706	Mitsui Mining & Smelt	Materials	266	19.06	2.25	3.77	0.51	12.81	11.89	14.68	66.26	31.39	40	5	40	-5	0	0	15.3
6954	FANUC	Machinery	4,718	19.97	7.38	0.07	0.41	16.34	9.53	16.75	63.28	57.07	-55	-60	10	-15	5	5	12.6
6702	Fujitsu	Electronics	1,368	20.10	8.01	5.10	3.81	3.64	12.88	18.81	61.10	47.42	35	-15	35	-30	25	20	10.3
9744	Meitec	TMT	153	21.00	7.91	4.44	14.02	-	8.52	24.78	54.22	51.67	5	0	5	-5	0	5	19.4
6502	Toshiba	Electronics	1,982	21.08	1.61	2.86	7.59	9.09	7.22	23.27	55.64	71.51	135	-20	130	10	10	5	7.6
5233	Taiheiyō Cement	Materials	510	21.21	7.18	0.09	0.71	15.38	10.91	18.35	60.44	53.58	5	-20	5	5	10	5	11.4
7956	Pigeon	Consumer	650	21.75	4.79	3.56	1.13	13.55	7.41	10.95	67.30	53.67	10	-15	5	-10	5	25	24.7
6481	THK	Machinery	511	22.16	9.16	3.51	0.06	14.12	9.34	19.46	58.38	47.81	105	-15	60	15	0	45	12.6
9766	Konami	TMT	715	22.25	22.00	0.27	0.04	4.72	5.93	12.33	65.42	28.75	-10	-25	20	-25	10	10	13.7
7741	Hoya	Electronics	2,447	22.26	0.58	3.04	0.35	18.70	9.80	13.34	64.41	74.39	180	-30	110	5	10	85	19.9
1808	Haseko	Real Estate	488	22.59	4.21	4.35	0.43	14.55	10.61	26.50	50.92	45.82	5	-30	25	-10	0	20	16.9
6965	Hamamatsu Photonics	Electronics	755	23.51	14.60	6.81	0.32	7.20	12.86	19.51	56.97	58.28	-40	-80	5	-20	10	45	11.1
6701	NEC	Electronics	776	23.65	4.37	3.36	5.96	10.18	15.42	20.07	56.28	47.39	85	-20	50	5	10	40	6.4
4503	Astellas Pharma	Healthcare	3,436	23.84	6.59	0.33	5.28	15.22	9.61	16.45	59.71	50.95	80	-10	70	-20	20	20	12.9
8001	ITOCHU	Materials	3,362	24.10	10.74	0.06	11.06	7.76	10.68	24.87	51.02	49.19	70	-5	55	-40	10	50	13.8
6113	Amada	Machinery	446	24.17	4.21	3.60	2.50	16.53	7.20	15.52	60.31	39.06	0	-40	20	10	0	10	7.8
8601	Daiwa Securities	Financials	1,072	24.22	4.30	6.25	3.24	9.54	13.71	21.48	54.30	46.41	85	-35	100	-15	20	15	8.3
4502	Takeda Pharma	Healthcare	3,492	24.51	0.60	3.87	6.40	15.00	7.85	15.16	60.33	56.05	240	-30	120	45	45	60	10.7
6501	Hitachi	Electronics	3,827	24.72	0.92	3.80	6.25	13.84	14.29	19.33	55.95	44.47	215	-35	110	35	70	35	11.6
6981	Murata Mfg	Electronics	3,620	24.87	8.77	0.82	7.85	11.72	7.73	14.60	60.53	58.79	90	-20	60	-5	0	55	12.7

Source: Bloomberg, Jefferies estimates

Table 16: Highest Allegiant Shareholders Companies have an Average 9% Expected ROE for FY2 and an Average Board Structure Score of +20 (vs. TOPIX500 Avg. of +34)

Ticker	Name	Sector	Market Cap (Yen Bn)	Allegiant (%)	Corporate	Other Allegiant	Insurance Company	Banks	Government	Other Non-Allegiant	Investment Advisor	Foreign	Total Score	Entrenchment	Outside Influence	Skills	Diversity	Shareholder Alignment	ROE FY2 (%)
7181	Japan Post Insurance	Financials	1,462	97.01	96.48	0.36	-	0.18	0.92	1.06	1.93	1.56	165	5	105	-5	40	20	4.7
7182	Japan Post Bank	Financials	6,224	95.94	96.45	0.19	0.01	0.14	0.95	1.96	2.10	2.21	120	-20	105	-5	20	20	2.2
8572	Acom	Financials	734	93.49	43.03	5.42	0.01	45.26	1.82	2.36	4.15	3.32	85	-5	40	10	0	40	17.9
6178	Japan Post Holdings	Financials	5,639	89.53	13.15	73.36	0.00	1.19	74.95	2.26	8.21	9.52	120	-40	110	0	30	20	3.0
4091	Taiyo Nippon Sanso	Chemicals	693	86.08	70.04	6.43	2.77	6.85	4.22	4.69	9.23	4.52	-30	-20	15	-30	0	5	10.4
3116	Toyota Boshoku	Automotive	382	84.63	81.76	2.41	0.65	-	3.40	6.09	9.28	9.95	35	-15	25	0	0	25	15.0
4581	Taisho Pharma	Healthcare	1,056	83.85	28.89	51.55	0.58	11.58	4.90	7.64	8.51	7.77	30	-35	5	-10	0	70	3.7
8060	Canon Marketing	Electronics	363	83.34	77.77	6.77	0.71	1.96	3.45	8.57	8.09	11.08	-45	-35	5	-20	0	5	7.4
9409	TV Asahi	TMT	251	82.48	79.32	3.41	0.02	-	4.94	5.63	11.90	8.59	-25	-70	45	-5	0	5	4.4
9075	Fukuyama Transporting	Transportation	307	82.31	45.87	21.67	10.21	8.29	4.76	7.91	9.78	9.24	-40	-70	25	-5	10	0	5.0
9437	NTT DOCOMO	TMT	10,607	82.02	80.71	0.02	0.05	2.19	3.71	6.96	11.02	12.19	15	-10	5	-10	10	20	12.1
8439	Century Tokyo Leasing	Financials	710	80.10	68.26	2.26	3.98	5.82	3.50	5.44	14.46	10.20	10	-10	20	-15	0	15	13.1
4508	Mitsubishi Tanabe	Healthcare	1,091	79.97	70.16	0.14	3.18	6.51	4.67	6.42	13.61	13.86	55	-10	50	-5	0	20	3.8
4506	Sumitomo Dainippon	Healthcare	888	79.78	68.64	1.61	5.56	4.00	3.39	4.85	15.37	7.76	-5	-25	40	-25	0	5	2.5
4927	Pola Orbis	Consumer	1,198	78.95	4.20	76.54	0.01	1.70	3.57	6.34	14.72	15.60	70	5	5	-10	10	60	15.3
7550	Zensho	Consumer	401	78.18	64.53	14.52	0.00	-	6.85	10.13	11.69	10.36	-10	-40	10	-15	10	25	10.7
9401	Tokyo Broadcasting Sys	TMT	406	78.08	68.16	0.19	4.84	4.90	7.33	10.19	11.73	11.02	-15	-40	15	0	0	10	4.0
4739	Itochu Techno-Solutions	TMT	471	77.93	74.57	2.64	0.76	0.91	4.04	6.86	15.21	14.90	60	10	25	-5	10	20	11.6
7211	Mitsubishi Motors	Automotive	1,209	77.03	72.99	0.02	0.03	4.00	5.12	7.89	15.08	15.37	20	-25	30	-10	10	15	13.1
8933	NTT Urban Development	Real Estate	369	75.61	73.87	0.03	0.00	1.70	2.97	4.19	20.20	20.70	-5	-5	5	-20	0	15	7.7
4534	Mochida Pharma	Healthcare	159	75.55	36.25	24.03	0.04	16.36	8.49	12.56	11.89	11.65	20	-20	20	-5	0	25	9.0
2670	ABC-Mart	Consumer	562	75.36	27.63	41.58	0.17	5.99	3.66	5.75	18.89	21.46	60	0	45	-5	10	10	11.9
8273	Izumi	Consumer	486	75.02	24.19	37.04	6.78	7.02	5.52	6.56	18.42	10.56	-40	-75	5	-20	0	50	13.2
4151	Kyowa Hakko Kirin	Healthcare	1,268	74.70	73.34	0.06	0.04	2.61	4.79	7.74	17.56	12.16	40	-10	35	-20	20	15	6.6
8628	Matsui Securities	Financials	266	74.68	58.98	16.11	0.01	-	4.42	6.36	18.96	4.74	30	0	5	-20	0	45	12.0
7240	NOK	Automotive	354	74.67	58.51	0.53	8.74	6.92	5.44	7.57	17.76	49.05	-50	-45	5	-30	0	20	7.8
6201	Toyota Industries	Automotive	2,063	74.60	66.37	2.11	7.29	0.19	6.02	9.19	16.21	14.05	0	-30	15	-5	0	20	5.7
7282	Toyoda Gosei	Automotive	353	74.36	62.73	0.16	5.43	6.16	6.05	8.28	17.35	15.72	-15	-10	5	-10	0	0	9.2
7846	Pilot Corp	Consumer	266	74.06	9.44	52.76	4.70	21.86	5.95	14.61	11.34	12.21	10	-10	5	5	10	0	20.0
4530	Hisamitsu Pharma	Healthcare	850	73.97	30.00	8.24	5.97	34.47	6.77	12.34	13.69	13.31	-65	-80	15	-20	0	20	8.0
8586	Hitachi Capital	Financials	354	73.80	39.80	0.08	1.33	34.38	3.17	6.65	19.55	20.85	115	-15	105	20	0	5	9.4
7205	Hino Motors	Automotive	691	73.52	70.09	0.08	2.26	1.13	4.66	6.07	20.40	13.23	-15	-30	15	-10	0	10	13.0
8593	Mitsubishi UFJ Lease	Financials	574	73.21	30.24	2.43	5.73	35.00	5.99	8.17	18.63	15.54	0	-30	10	5	0	15	8.3
8729	Sony Financial	Financials	865	72.58	69.07	0.80	0.05	2.67	3.87	5.20	22.23	22.34	60	10	30	5	0	15	8.2
6995	Tokai Rika	Automotive	192	72.09	63.20	2.11	3.54	4.23	5.86	8.23	19.68	20.99	0	-5	5	-10	0	10	9.8
9601	Shochiku	TMT	215	71.88	52.85	4.80	0.01	14.70	9.62	12.06	16.06	7.62	-20	-40	5	5	10	0	5.0
9719	SCSK Corp	TMT	515	71.78	68.43	3.32	0.00	0.14	4.95	5.83	22.40	18.80	125	-25	95	40	10	5	12.9
3003	Hulic	Real Estate	731	71.64	47.60	0.43	20.78	3.02	5.23	11.34	17.03	11.43	90	-10	55	5	10	30	12.0
2651	Lawson	Consumer	716	71.59	65.58	0.96	0.52	4.60	5.92	8.12	20.28	19.64	75	10	35	-15	30	15	10.9
8036	Hitachi High-Tech	Electronics	678	71.41	67.59	1.44	0.25	2.17	4.96	7.76	20.83	20.47	90	-5	80	0	10	5	12.0
2212	Yamazaki Baking	Consumer	506	71.30	53.84	2.76	6.45	8.38	7.70	10.31	18.39	12.28	-50	-70	0	-25	10	35	6.0
5002	Showa Shell Sekiyu	Materials	543	70.96	47.28	19.96	0.53	3.23	5.07	6.43	22.60	37.98	115	10	70	5	30	0	14.8
9613	NTT Data	TMT	1,686	70.81	66.06	1.29	0.02	3.44	4.31	5.91	23.28	9.60	-20	0	5	-30	0	5	10.1
8410	Seven Bank	Financials	405	70.79	65.15	0.16	1.72	3.79	6.81	7.61	21.60	18.38	40	-45	20	25	20	20	12.7

Source: Bloomberg, Jefferies estimates

Table 17: Highest Other Allegiant Shareholders Companies have an Average 13% Expected ROE for FY2 and an Average Board Structure Score of +54 (vs. TOPIX500 Avg. of +34)

Ticker	Name	Sector	Market Cap (Yen Bn)	Allegiant	Corporate	Other Allegiant	Insurance Company	Banks	Government	Other Non-Allegiant	Investment Advisor	Foreign	Total Score	Entrenchment	Outside Influence	Skills	Diversity	Shareholder Alignment	ROE FY2 (%)
4689	Yahoo Japan	TMT	2,205	84.69	0.05	81.09	0.06	3.53	2.02	2.35	12.96	51.93	135	10	50	30	35	10	13.1
4927	Pola Orbis	Consumer	1,198	78.95	4.20	76.54	0.01	1.70	3.57	6.34	14.72	15.60	70	5	5	-10	10	60	15.3
3632	Gree	TMT	150	70.74	6.87	65.14	0.12	1.34	6.30	12.54	16.72	20.08	60	-10	15	-10	0	65	6.6
3668	COLOPL	TMT	102	67.01	4.23	63.30	0.01	0.84	3.61	10.19	22.80	27.54	115	-5	45	25	0	50	8.1
4922	Kose	Consumer	1,414	67.88	8.49	63.24	0.30	1.78	4.88	8.16	23.97	18.25	55	-5	15	0	0	45	17.7
7846	Pilot Corp	Consumer	266	74.06	9.44	52.76	4.70	21.86	5.95	14.61	11.34	12.21	10	-10	5	5	10	0	20.0
4581	Taisho Pharma	Healthcare	1,056	83.85	28.89	51.55	0.58	11.58	4.90	7.64	8.51	7.77	30	-35	5	-10	0	70	3.7
4967	Kobayashi Pharma	Healthcare	796	65.87	11.48	48.34	0.90	8.39	6.61	10.02	24.11	32.19	70	-50	50	-15	10	75	10.1
3092	Start Today	TMT	1,166	56.26	2.48	45.99	0.50	7.29	5.20	7.79	35.95	41.81	50	0	0	-15	10	55	56.1
9983	Fast Retailing	Consumer	4,989	58.00	13.54	45.51	0.08	2.39	2.74	5.30	36.70	7.35	50	-50	35	5	0	60	18.0
2670	ABC-Mart	Consumer	562	75.36	27.63	41.58	0.17	5.99	3.66	5.75	18.89	21.46	60	0	45	-5	10	10	11.9
4587	PeptiDream	Healthcare	555	44.09	-	41.42	0.00	2.80	4.81	5.80	50.11	34.90	165	0	50	5	5	105	9.0
3231	Nomura Real Estate	Real Estate	487	49.75	2.48	40.84	0.22	6.03	9.73	12.98	37.27	41.16	105	-5	65	20	10	15	9.3
8273	Izumi	Consumer	486	75.02	24.19	37.04	6.78	7.02	5.52	6.56	18.42	10.56	-40	-75	5	-20	0	50	13.2
7984	Kokuyo	TMT	265	65.07	32.94	33.60	0.02	4.58	10.09	15.66	19.27	17.86	40	-30	40	-5	0	35	8.0
9984	SoftBank Group	TMT	8,385	35.72	1.61	33.06	0.18	1.87	9.21	12.98	51.30	39.83	120	-20	25	0	45	70	15.1
3291	Iida Group	Real Estate	608	68.71	32.20	32.61	3.35	1.88	6.22	8.23	23.06	16.75	35	-15	5	-20	0	65	9.1
3088	Matsumotokiyoshi	Consumer	579	50.84	14.05	31.78	0.56	7.09	8.35	14.99	34.17	34.39	50	-30	10	-5	0	75	11.5
6460	Sega Sammy	TMT	501	46.72	26.95	31.20	0.05	0.01	8.30	20.82	32.46	35.59	55	-35	30	10	0	50	6.8
4755	Rakuten	TMT	1,029	58.35	30.80	30.59	0.09	1.59	7.48	11.80	29.85	27.74	105	-10	40	-15	35	55	9.7
9684	Square Enix	TMT	645	46.68	10.63	30.28	2.21	5.90	6.90	11.81	41.51	37.15	30	-5	30	-10	5	10	15.1
2181	PERSOL	TMT	540	45.66	9.14	30.10	0.71	6.94	6.79	10.67	43.67	39.49	135	10	55	15	10	45	16.3
4307	Nomura Resrch Inst	TMT	1,358	60.46	16.66	29.36	3.99	8.78	4.91	14.00	25.54	31.94	45	-15	40	-5	10	15	12.3
1721	COMSYS	Real Estate	415	25.78	9.92	29.33	3.54	6.87	5.86	25.98	48.24	23.25	45	-15	35	15	0	10	9.3
6465	Hoshizaki Electric	Machinery	799	39.78	0.31	29.00	0.04	10.43	7.94	9.54	50.68	35.99	-20	-50	25	-5	10	0	12.9
6869	Sysmex	Healthcare	2,109	38.75	11.28	27.30	0.02	0.34	8.20	10.37	50.88	46.58	95	-25	55	5	10	50	18.6
4751	CyberAgent	TMT	732	37.15	0.56	25.43	2.06	9.55	7.23	9.55	53.31	52.65	40	5	0	-15	0	50	16.7
3659	Nexon	TMT	1,578	67.04	34.55	25.13	1.44	5.91	4.19	8.48	24.48	90.59	85	0	30	5	10	40	17.2
7532	Don Quijote	Consumer	895	47.17	6.90	24.06	4.44	11.77	6.54	7.73	45.10	75.06	0	-20	35	-25	0	10	12.8
4534	Mochida Pharma	Healthcare	159	75.55	36.25	24.03	0.04	16.36	8.49	12.56	11.89	11.65	20	-20	20	-5	0	25	9.0
2127	Nihon M&A Center	Financials	590	40.92	2.70	23.22	1.45	15.07	8.12	10.92	48.17	51.62	100	-20	35	10	0	75	39.0
9783	Benesse	Consumer	411	27.50	2.39	23.08	0.05	8.09	6.71	15.73	56.77	60.90	75	5	50	5	0	15	6.0
6592	Mabuchi Motor	Electronics	343	39.09	15.70	22.61	0.03	2.63	7.52	10.84	50.07	33.02	35	10	15	-10	0	20	8.3
7459	Medipal	Healthcare	617	52.47	36.19	22.32	0.03	0.02	10.18	17.11	30.43	28.46	20	-10	10	0	20	0	7.4
9075	Fukuyama Transporting	Transportation	307	82.31	45.87	21.67	10.21	8.29	4.76	7.91	9.78	9.24	-40	-70	25	-5	10	0	5.0
8088	Iwatani	Materials	193	65.43	26.65	21.53	5.83	12.64	12.00	15.44	19.13	14.62	-85	-75	5	-20	0	5	11.0
9076	Seino	Transportation	431	59.33	19.80	21.47	8.62	11.97	8.56	14.62	26.05	23.89	10	-25	20	0	10	5	5.7
2432	DeNA	TMT	316	43.34	16.67	20.90	0.09	8.70	6.67	11.34	45.33	40.69	90	-15	45	-10	10	60	6.9
5019	Idemitsu Kosan	Materials	746	69.76	29.47	20.42	0.88	19.01	5.55	9.61	20.63	19.01	50	-5	45	-15	20	5	12.5
4555	Sawai Pharma	Healthcare	208	40.82	9.91	20.11	0.86	10.48	10.22	16.05	43.13	40.45	30	-45	5	-5	10	65	10.1
5002	Showa Shell Sekiyu	Materials	543	70.96	47.28	19.96	0.53	3.23	5.07	6.43	22.60	37.98	115	10	70	5	30	0	14.8
2811	Kagome	Consumer	375	58.47	45.64	19.79	0.00	0.65	12.55	18.89	22.64	17.03	110	-15	70	15	10	30	8.9
4569	KYORIN	Healthcare	172	66.18	46.97	19.78	0.30	-	8.83	11.93	21.90	12.91	40	-15	15	10	0	30	5.0
4768	Otsuka	TMT	860	67.17	44.80	19.69	0.01	2.77	7.15	9.05	23.78	21.49	30	-30	5	5	0	50	14.7

Source: Bloomberg, Jefferies estimates

Table 18: Highest Bank Allegiant Shareholders Companies have an Average 8% Expected ROE for FY2 and an Average Board Structure Score of +13 (vs. TOPIX500 Avg. of +34)

Ticker	Name	Sector	Market Cap (Yen Bn)	Allegiant	Corporate	Other Allegiant	Insurance Company	Banks	Government	Other Non-Allegiant	Investment Advisor	Foreign	Total Score	Entrenchment	Outside Influence	Skills	Diversity	Shareholder Alignment	ROE FY2 (%)
8544	Keiyo Bank	Financials	139	63.58	8.13	5.08	21.12	33.06	8.97	15.69	20.73	21.82	-30	-25	20	-35	0	10	5.0
9007	Odakyu Elec Railway	Transportation	873	64.04	13.93	0.21	28.43	22.28	10.47	13.49	22.47	13.49	-15	-50	25	-15	10	15	8.6
8341	77 Bank	Financials	185	59.32	11.87	0.53	34.78	13.50	10.83	16.12	24.57	23.10	0	-65	55	-10	0	20	3.4
9031	Nishi-Nippon Railroad	Transportation	227	60.82	12.56	0.49	22.34	25.69	10.00	12.82	26.36	18.21	20	-35	45	-5	0	15	8.0
7164	Zenkoku Hoshu Co Ltd	Financials	357	51.14	0.87	2.40	36.75	11.20	8.10	10.28	38.58	28.33	10	-15	20	-10	0	15	20.0
8331	Chiba Bank	Financials	713	50.74	9.41	0.29	18.49	27.92	9.75	18.67	30.59	22.54	60	0	30	0	20	10	6.3
8609	Okasan Securities	Financials	115	61.91	10.49	2.37	16.13	29.86	9.13	13.41	24.68	13.85	10	-15	35	-25	0	15	5.0
5333	NGK Insulators	Electronics	640	53.89	8.91	0.08	24.99	20.75	8.66	12.25	33.86	23.65	15	-25	25	-10	10	15	11.8
8524	North Pacific Bank	Financials	145	58.64	12.81	0.18	38.79	6.87	10.58	14.27	27.10	32.60	-5	-40	15	-10	20	10	2.9
8572	Acom	Financials	734	93.49	43.03	5.42	0.01	45.26	1.82	2.36	4.15	3.32	85	-5	40	10	0	40	17.9
9005	Tokyu	Transportation	1,183	50.10	6.24	0.13	21.50	23.66	11.43	15.08	34.82	18.78	0	-45	30	-10	10	15	7.9
9508	Kyushu Elec Pwr	Utilities	605	53.16	4.58	3.87	14.31	30.45	13.55	16.64	30.21	19.42	-35	-60	25	-20	10	10	10.9
2802	Ajinomoto	Consumer	1,168	48.33	3.88	0.11	21.05	23.66	8.67	11.42	40.26	23.59	65	-15	50	-15	10	35	9.7
9003	Sotetsu	Transportation	309	66.22	21.39	0.33	10.28	34.27	10.77	18.84	14.95	11.98	10	-20	5	5	10	10	12.0
9502	Chubu Elec Pwr	Utilities	1,269	50.80	2.29	4.34	15.58	28.68	12.24	14.95	34.25	26.37	10	-15	20	-10	10	5	6.4
9533	Toho Gas	Utilities	374	63.65	15.35	4.04	16.07	28.20	10.82	15.28	21.07	16.52	-20	-15	5	-10	0	0	5.2
9008	Keio	Transportation	640	59.00	17.46	0.28	26.01	17.43	11.06	15.26	25.74	15.98	-20	-25	15	-10	0	0	6.7
6395	Tadano	Machinery	195	49.89	4.45	4.10	17.10	25.47	9.09	11.97	38.13	25.08	20	-25	30	-10	0	25	10.9
5334	NGK Spark Plug	Automotive	630	52.05	10.37	0.08	20.46	21.75	9.23	11.79	36.16	37.72	40	-15	20	5	10	20	13.6
8324	Daishi Bank	Financials	156	65.83	19.62	5.28	19.93	22.00	10.32	13.90	20.27	18.27	45	-20	35	15	0	15	5.0
8355	Shizuoka Bank	Financials	666	52.96	15.77	0.10	22.11	19.05	8.65	14.83	32.21	18.74	45	-10	20	-10	10	35	5.1
8359	Hachijuni Bank	Financials	247	62.25	21.59	0.44	19.41	21.36	9.43	12.86	24.89	29.75	30	-25	15	5	10	25	2.8
8593	Mitsubishi UFJ Lease	Financials	574	73.21	30.24	2.43	5.73	35.00	5.99	8.17	18.63	15.54	0	-30	10	5	0	15	8.3
4530	Hisamitsu Pharma	Healthcare	850	73.97	30.00	8.24	5.97	34.47	6.77	12.34	13.69	13.31	-65	-80	15	-20	0	20	8.0
7701	Shimadzu	Electronics	882	47.07	7.35	0.10	16.85	23.05	12.09	14.53	38.40	21.31	35	-20	15	10	10	20	11.9
7180	Kyushu Financial Group	Financials	238	68.16	18.72	10.71	13.83	25.73	9.14	12.66	19.19	16.01	-25	-20	5	-10	0	0	2.8
4063	Shin-Etsu Chemical	Chemicals	4,607	43.68	5.09	0.18	13.41	25.73	9.98	16.13	40.19	33.52	-40	-80	25	-20	10	25	11.5
6472	NTN	Machinery	249	57.06	13.38	5.14	15.81	22.87	7.59	11.77	31.17	17.23	5	-20	15	-10	0	20	9.0
9022	Central JR	Transportation	4,623	60.10	23.46	0.16	7.16	31.40	8.85	13.54	26.37	17.53	-40	-50	10	-15	5	10	11.8
9062	Nippon Express	Transportation	811	48.06	11.46	0.32	15.98	22.37	9.54	20.95	30.99	22.50	10	-35	25	-10	10	20	8.0
8368	Hyakugo Bank	Financials	115	59.39	16.23	4.97	18.93	19.33	11.31	16.76	23.85	24.59	5	-35	20	-10	0	30	4.0
6326	Kubota	Machinery	2,275	43.68	3.15	2.34	13.99	24.22	8.62	13.71	42.61	36.73	20	-10	15	-10	0	25	11.0
8363	Hokkoku Bank	Financials	132	63.64	22.79	4.85	24.46	13.08	10.40	16.32	20.03	18.20	55	-20	50	-10	10	25	5.0
9006	Keiyo	Transportation	501	56.62	19.17	0.17	12.03	25.30	9.72	11.88	31.50	20.65	10	-45	25	10	10	10	7.9
9041	Kintetsu Group	Transportation	845	48.20	10.87	0.15	8.79	28.53	17.36	20.58	31.22	28.58	-5	-35	15	0	0	15	8.4
8385	Iyo Bank	Financials	242	66.59	27.99	2.46	16.32	20.66	10.43	13.03	20.38	15.59	50	-25	65	0	10	0	3.1
9509	Hokkaido Elec Pwr	Utilities	161	47.49	9.52	3.78	11.10	25.77	10.91	14.16	38.35	24.17	-10	-30	15	-5	10	0	8.9
3591	Wacoal	Consumer	229	65.27	29.68	1.12	13.40	23.36	8.51	14.51	20.22	23.08	55	-10	35	-15	10	35	5.0
8334	Gunma Bank	Financials	283	49.99	15.18	1.22	11.88	24.88	13.31	22.31	27.71	20.72	-10	-5	5	-20	0	10	4.9
4118	Kaneka	Chemicals	385	51.10	17.73	0.55	16.88	19.31	9.37	15.56	33.34	31.21	-15	-20	15	-20	0	10	8.1
8336	Musashino Bank	Financials	118	50.15	9.88	4.61	8.18	27.98	13.72	20.62	29.23	23.97	10	-30	5	5	10	20	5.0
9044	Nankai Elec Railway	Transportation	345	47.67	11.38	0.25	7.06	29.00	16.82	21.83	30.50	22.37	0	-30	20	-5	0	15	7.8
8586	Hitachi Capital	Financials	354	73.80	39.80	0.08	1.33	34.38	3.17	6.65	19.55	20.85	115	-15	105	20	0	5	9.4
7731	Nikon	Electronics	706	48.57	13.57	0.16	11.11	24.34	10.86	13.37	38.06	24.49	85	-20	55	15	0	35	7.7

Source: Bloomberg, Jefferies estimates

Table 19: Highest Corporate Shareholders Companies have an Average 9% Expected ROE for FY2 and an Average Board Structure Score of +19 (vs. TOPIX500 Avg. of +34)

Ticker	Name	Sector	Market Cap (Yen Bn)	Allegiant	Corporate	Other Allegiant	Insurance Company	Banks	Government	Other Non-Allegiant	Investment Advisor	Foreign	Total Score	Entrenchment	Outside Influence	Skills	Diversity	Shareholder Alignment	ROE FY2 (%)
3116	Toyota Boshoku	Automotive	382	84.63	81.76	2.41	0.65	-	3.40	6.09	9.28	9.95	35	-15	25	0	0	25	15.0
9437	NTT DOCOMO	TMT	10,607	82.02	80.71	0.02	0.05	2.19	3.71	6.96	11.02	12.19	15	-10	5	-10	10	20	12.1
9409	TV Asahi	TMT	251	82.48	79.32	3.41	0.02	-	4.94	5.63	11.90	8.59	-25	-70	45	-5	0	5	4.4
8060	Canon Marketing	Electronics	363	83.34	77.77	6.77	0.71	1.96	3.45	8.57	8.09	11.08	-45	-35	5	-20	0	5	7.4
4739	Itochu Techno-Solutions	TMT	471	77.93	74.57	2.64	0.76	0.91	4.04	6.86	15.21	14.90	60	10	25	-5	10	20	11.6
8933	NTT Urban Development	Real Estate	369	75.61	73.87	0.03	0.00	1.70	2.97	4.19	20.20	20.70	-5	-5	5	-20	0	15	7.7
4151	Kyowa Hakkō Kirin	Healthcare	1,268	74.70	73.34	0.06	0.04	2.61	4.79	7.74	17.56	12.16	40	-10	35	-20	20	15	6.6
7211	Mitsubishi Motors	Automotive	1,209	77.03	72.99	0.02	0.03	4.00	5.12	7.89	15.08	15.37	20	-25	30	-10	10	15	13.1
4508	Mitsubishi Tanabe	Healthcare	1,091	79.97	70.16	0.14	3.18	6.51	4.67	6.42	13.61	13.86	55	-10	50	-5	0	20	3.8
7205	Hino Motors	Automotive	691	73.52	70.09	0.08	2.26	1.13	4.66	6.07	20.40	13.23	-15	-30	15	-10	0	10	13.0
4091	Taiyo Nippon Sanso	Chemicals	693	86.08	70.04	6.43	2.77	6.85	4.22	4.69	9.23	4.52	-30	-20	15	-30	0	5	10.4
8729	Sony Financial	Financials	865	72.58	69.07	0.80	0.05	2.67	3.87	5.20	22.23	22.34	60	10	30	5	0	15	8.2
5486	Hitachi Metals	Materials	514	70.36	69.00	0.03	0.31	1.11	4.76	6.71	22.93	21.25	80	-10	70	-5	10	15	8.8
4506	Sumitomo Dainippon	Healthcare	888	79.78	68.64	1.61	5.56	4.00	3.39	4.85	15.37	7.76	-5	-25	40	-25	0	5	2.5
9719	SCSK Corp	TMT	515	71.78	68.43	3.32	0.00	0.14	4.95	5.83	22.40	18.80	125	-25	95	40	10	5	12.9
8439	Century Tokyo Leasing	Financials	710	80.10	68.26	2.26	3.98	5.82	3.50	5.44	14.46	10.20	10	-10	20	-15	0	15	13.1
9401	Tokyo Broadcasting Sys	TMT	406	78.08	68.16	0.19	4.84	4.90	7.33	10.19	11.73	11.02	-15	-40	15	0	0	10	4.0
8036	Hitachi High-Tech	Electronics	678	71.41	67.59	1.44	0.25	2.17	4.96	7.76	20.83	20.47	90	-5	80	0	10	5	12.0
9602	Toho /Tokyo	TMT	704	67.67	66.74	1.71	0.93	0.02	8.75	13.50	18.83	15.09	20	-15	25	10	0	0	9.7
2587	Suntory Bev & Food	Consumer	1,516	70.23	66.57	0.02	0.10	3.54	3.69	6.55	23.22	26.15	90	10	45	10	20	5	10.9
6201	Toyota Industries	Automotive	2,063	74.60	66.37	2.11	7.29	0.19	6.02	9.19	16.21	14.05	0	-30	15	-5	0	20	5.7
9613	NTT Data	TMT	1,686	70.81	66.06	1.29	0.02	3.44	4.31	5.91	23.28	9.60	-20	0	5	-30	0	5	10.1
2651	Lawson	Consumer	716	71.59	65.58	0.96	0.52	4.60	5.92	8.12	20.28	19.64	75	10	35	-15	30	15	10.9
9404	Nippon Television	TMT	502	70.15	65.27	6.34	0.06	-	9.24	13.00	16.85	14.24	-20	-40	20	-20	0	20	5.1
8410	Seven Bank	Financials	405	70.79	65.15	0.16	1.72	3.79	6.81	7.61	21.60	18.38	40	-45	20	25	20	20	12.7
4217	Hitachi Chemical	Chemicals	487	68.87	64.61	1.32	1.54	1.43	5.37	8.89	22.24	22.93	105	-25	90	5	30	5	11.2
7550	Zensho	Consumer	401	78.18	64.53	14.52	0.00	-	6.85	10.13	11.69	10.36	-10	-40	10	-15	10	25	10.7
6305	Hitachi Const Mach	Machinery	837	65.81	64.15	0.10	0.01	1.94	6.00	8.45	25.74	12.55	85	0	60	0	10	15	14.1
4661	Oriental Land	Consumer	4,035	70.39	63.54	0.50	3.11	6.45	12.39	16.81	12.80	12.21	-55	-85	5	-10	10	25	11.3
8905	Aeon Mall	Real Estate	466	67.96	63.40	1.07	0.95	2.55	6.67	9.28	22.76	24.09	15	-30	5	5	20	15	8.8
6995	Tokai Rika	Automotive	192	72.09	63.20	2.11	3.54	4.23	5.86	8.23	19.68	20.99	0	-5	5	-10	0	10	9.8
6588	Toshiba TEC	Electronics	189	65.78	63.07	1.89	2.59	-	3.82	12.02	22.21	25.43	25	0	20	-10	0	15	15.0
7282	Toyoda Gosei	Automotive	353	74.36	62.73	0.16	5.43	6.16	6.05	8.28	17.35	15.72	-15	-10	5	-10	0	0	9.2
5413	Nisshin Steel	Materials	176	70.71	62.38	0.08	0.03	8.28	5.45	5.69	23.59	9.41	15	-10	20	-10	10	5	7.5
9435	Hikari Tsushin	Consumer	923	68.72	62.29	7.70	0.02	0.04	4.68	7.41	23.87	17.99	75	-15	25	5	0	60	17.6
7259	Aisin Seiki	Automotive	1,600	68.39	61.40	0.64	9.14	0.21	7.35	12.53	19.09	17.47	-35	-50	10	-35	10	30	10.4
8628	Matsui Securities	Financials	266	74.68	58.98	16.11	0.01	-	4.42	6.36	18.96	4.74	30	0	5	-20	0	45	12.0
7222	Nissan Shatai	Automotive	151	52.92	58.76	2.06	0.01	-	3.62	13.81	33.27	40.56	15	5	15	-10	0	5	5.0
6902	Denso	Automotive	4,155	66.70	58.76	2.30	6.09	0.21	7.22	10.40	22.90	17.09	15	-10	15	-10	10	10	9.1
7240	NOK	Automotive	354	74.67	58.51	0.53	8.74	6.92	5.44	7.57	17.76	49.05	-50	-45	5	-30	0	20	7.8
9989	Sundrug	Consumer	670	58.40	54.29	5.89	0.21	5.09	4.77	12.93	28.68	38.48	0	-15	5	-20	0	30	15.3
2212	Yamazaki Baking	Consumer	506	71.30	53.84	2.76	6.45	8.38	7.70	10.31	18.39	12.28	-50	-70	0	-25	10	35	6.0
7966	Lintec	Materials	236	65.10	53.77	9.46	0.08	4.49	7.29	12.96	21.95	22.17	35	-35	30	15	10	15	8.2
1944	Kinden	Real Estate	394	61.52	53.44	6.05	0.34	1.92	6.75	11.27	27.22	29.63	-20	-30	15	-5	0	0	6.5

Source: Bloomberg, Jefferies estimates

Table 20: Lowest Foreign Shareholders Companies have an Average 8% Expected ROE for FY2 and an Average Board Structure Score of +10 (vs. TOPIX500 Avg. of +34)

Ticker	Name	Sector	Market Cap (Yen Bn)	Allegiant	Corporate	Other Allegiant	Insurance Company	Banks	Government	Other Non-Allegiant	Investment Advisor	Foreign	Total Score	Entrenchment	Outside Influence	Skills	Diversity	Shareholder Alignment	ROE FY2 (%)
7181	Japan Post Insurance	Financials	1,462	97.01	96.48	0.36	-	0.18	0.92	1.06	1.93	1.56	165	5	105	-5	40	20	4.7
7182	Japan Post Bank	Financials	6,224	95.94	96.45	0.19	0.01	0.14	0.95	1.96	2.10	2.21	120	-20	105	-5	20	20	2.2
8572	Acom	Financials	734	93.49	43.03	5.42	0.01	45.26	1.82	2.36	4.15	3.32	85	-5	40	10	0	40	17.9
4091	Taiyo Nippon Sanso	Chemicals	693	86.08	70.04	6.43	2.77	6.85	4.22	4.69	9.23	4.52	-30	-20	15	-30	0	5	10.4
8628	Matsui Securities	Financials	266	74.68	58.98	16.11	0.01	-	4.42	6.36	18.96	4.74	30	0	5	-20	0	45	12.0
9983	Fast Retailing	Consumer	4,989	58.00	13.54	45.51	0.08	2.39	2.74	5.30	36.70	7.35	50	-50	35	5	0	60	18.0
9601	Shochiku	TMT	215	71.88	52.85	4.80	0.01	14.70	9.62	12.06	16.06	7.62	-20	-40	5	5	10	0	5.0
4506	Sumitomo Dainippon	Healthcare	888	79.78	68.64	1.61	5.56	4.00	3.39	4.85	15.37	7.76	-5	-25	40	-25	0	5	2.5
4581	Taisho Pharma	Healthcare	1,056	83.85	28.89	51.55	0.58	11.58	4.90	7.64	8.51	7.77	30	-35	5	-10	0	70	3.7
8136	Sanrio	Consumer	177	54.14	25.51	8.10	3.69	19.52	7.70	11.31	34.55	8.20	-15	-70	10	0	20	25	8.3
2810	House Foods Group	Consumer	408	43.79	23.01	9.46	2.88	8.45	9.07	13.48	42.73	8.39	25	-15	20	-20	0	40	4.4
9409	TV Asahi	TMT	251	82.48	79.32	3.41	0.02	-	4.94	5.63	11.90	8.59	-25	-70	45	-5	0	5	4.4
9075	Fukuyama Transporting	Transportation	307	82.31	45.87	21.67	10.21	8.29	4.76	7.91	9.78	9.24	-40	-70	25	-5	10	0	5.0
5413	Nisshin Steel	Materials	176	70.71	62.38	0.08	0.03	8.28	5.45	5.69	23.59	9.41	15	-10	20	-10	10	5	7.5
6178	Japan Post Holdings	Financials	5,639	89.53	13.15	73.36	0.00	1.19	74.95	2.26	8.21	9.52	120	-40	110	0	30	20	3.0
9613	NTT Data	TMT	1,686	70.81	66.06	1.29	0.02	3.44	4.31	5.91	23.28	9.60	-20	0	5	-30	0	5	10.1
3116	Toyota Boshoku	Automotive	382	84.63	81.76	2.41	0.65	-	3.40	6.09	9.28	9.95	35	-15	25	0	0	25	15.0
8439	Century Tokyo Leasing	Financials	710	80.10	68.26	2.26	3.98	5.82	3.50	5.44	14.46	10.20	10	-10	20	-15	0	15	13.1
2002	Nisshin Seifun Group	Consumer	693	59.75	29.66	0.17	11.77	19.17	7.46	9.74	30.51	10.35	5	-30	35	-20	0	20	5.7
7550	Zensho	Consumer	401	78.18	64.53	14.52	0.00	-	6.85	10.13	11.69	10.36	-10	-40	10	-15	10	25	10.7
8273	Izumi	Consumer	486	75.02	24.19	37.04	6.78	7.02	5.52	6.56	18.42	10.56	-40	-75	5	-20	0	50	13.2
2809	Kewpie	Consumer	389	69.19	43.78	8.03	7.59	10.57	8.67	11.35	19.46	10.75	-5	0	5	-20	10	0	8.0
9401	Tokyo Broadcasting Sys	TMT	406	78.08	68.16	0.19	4.84	4.90	7.33	10.19	11.73	11.02	-15	-40	15	0	0	10	4.0
8060	Canon Marketing	Electronics	363	83.34	77.77	6.77	0.71	1.96	3.45	8.57	8.09	11.08	-45	-35	5	-20	0	5	7.4
2531	Takara	Consumer	258	39.73	18.86	2.94	4.03	14.55	8.22	9.91	50.36	11.35	-25	-25	5	-20	10	5	8.0
3003	Hulic	Real Estate	731	71.64	47.60	0.43	20.78	3.02	5.23	11.34	17.03	11.43	90	-10	55	5	10	30	12.0
4534	Mochida Pharma	Healthcare	159	75.55	36.25	24.03	0.04	16.36	8.49	12.56	11.89	11.65	20	-20	20	-5	0	25	9.0
5471	Daido Steel	Materials	234	68.79	42.13	0.09	11.80	15.37	7.23	9.95	21.26	11.95	-15	-10	5	-10	0	0	7.9
9003	Sotetsu	Transportation	309	66.22	21.39	0.33	10.28	34.27	10.77	18.84	14.95	11.98	10	-20	5	5	10	10	12.0
4151	Kyowa Hako Kirin	Healthcare	1,268	74.70	73.34	0.06	0.04	2.61	4.79	7.74	17.56	12.16	40	-10	35	-20	20	15	6.6
9437	NTT DOCOMO	TMT	10,607	82.02	80.71	0.02	0.05	2.19	3.71	6.96	11.02	12.19	15	-10	5	-10	10	20	12.1
7846	Pilot Corp	Consumer	266	74.06	9.44	52.76	4.70	21.86	5.95	14.61	11.34	12.21	10	-10	5	5	10	0	20.0
4661	Oriental Land	Consumer	4,035	70.39	63.54	0.50	3.11	6.45	12.39	16.81	12.80	12.21	-55	-85	5	-10	10	25	11.3
2212	Yamazaki Baking	Consumer	506	71.30	53.84	2.76	6.45	8.38	7.70	10.31	18.39	12.28	-50	-70	0	-25	10	35	6.0
6305	Hitachi Const Mach	Machinery	837	65.81	64.15	0.10	0.01	1.94	6.00	8.45	25.74	12.55	85	0	60	0	10	15	14.1
3865	Hokuetsu Kishu Paper	Materials	126	68.57	46.69	4.09	6.03	15.57	5.85	10.35	21.08	12.83	-40	-35	5	-20	0	10	4.2
4569	KYORIN	Healthcare	172	66.18	46.97	19.78	0.30	-	8.83	11.93	21.90	12.91	40	-15	15	10	0	30	5.0
7205	Hino Motors	Automotive	691	73.52	70.09	0.08	2.26	1.13	4.66	6.07	20.40	13.23	-15	-30	15	-10	0	10	13.0
4530	Hisamitsu Pharma	Healthcare	850	73.97	30.00	8.24	5.97	34.47	6.77	12.34	13.69	13.31	-65	-80	15	-20	0	20	8.0
6474	Nachi-Fujikoshi	Machinery	127	60.52	19.46	12.42	8.74	20.04	8.59	21.51	17.97	13.43	-40	-20	-5	-15	0	0	9.7
9007	Odakyu Elec Railway	Transportation	873	64.04	13.93	0.21	28.43	22.28	10.47	13.49	22.47	13.49	-15	-50	25	-15	10	15	8.6
2607	Fuji Oil	Consumer	342	66.27	52.53	0.23	4.79	9.36	7.68	9.47	24.26	13.64	15	5	25	-30	10	5	9.1
8028	FamilyMart	Consumer	1,434	51.76	43.83	0.09	2.44	5.47	5.31	7.52	40.72	13.79	15	5	5	-10	0	15	7.3
8609	Okasan Securities	Financials	115	61.91	10.49	2.37	16.13	29.86	9.13	13.41	24.68	13.85	10	-15	35	-25	0	15	5.0

Source: Bloomberg, Jefferies estimates

Table 21: Highest Foreign Shareholders Companies have an Average 13% Expected ROE for FY2 and an Average Board Structure Score of +68 (vs. TOPIX500 Avg. of +34)

Ticker	Name	Sector	Market Cap (Yen Bn)	Allegiant	Corporate	Other Allegiant	Insurance Company	Banks	Government	Other Non-Allegiant	Investment Advisor	Foreign	Total Score	Entrenchment	Outside Influence	Skills	Diversity	Shareholder Alignment	ROE FY2 (%)
4716	Oracle Japan	TMT	1,057	87.09	83.58	0.14	0.02	3.37	2.23	3.98	8.94	96.35	175	10	90	30	30	15	25.0
3659	Nexon	TMT	1,578	67.04	34.55	25.13	1.44	5.91	4.19	8.48	24.48	90.59	85	0	30	5	10	40	17.2
7201	Nissan Motor	Automotive	4,588	67.77	64.67	1.32	3.35	1.10	6.97	11.09	21.14	89.59	25	-10	0	-15	25	25	10.5
6753	Sharp	Electronics	1,473	84.10	77.07	0.81	3.66	2.59	0.33	1.23	14.67	88.83	120	10	65	10	25	10	17.3
3064	MonotaRO	TMT	531	53.86	45.16	0.93	0.18	8.00	3.57	4.39	41.75	87.81	175	-15	105	30	5	50	35.6
4519	Chugai Pharma	Healthcare	3,386	70.66	68.96	0.27	1.29	0.84	2.97	4.50	24.84	87.24	55	-30	40	-15	25	35	14.1
7532	Don Quijote	Consumer	895	47.17	6.90	24.06	4.44	11.77	6.54	7.73	45.10	75.06	0	-20	35	-25	0	10	12.8
7741	Hoya	Electronics	2,447	22.26	0.58	3.04	0.35	18.70	9.80	13.34	64.41	74.39	180	-30	110	5	10	85	19.9
8848	Leopalace21	Real Estate	184	23.42	1.70	2.98	0.08	18.84	13.52	16.48	60.10	72.85	35	-5	25	-5	10	10	10.4
6502	Toshiba	Electronics	1,982	21.08	1.61	2.86	7.59	9.09	7.22	23.27	55.64	71.51	135	-20	130	10	10	5	7.6
7974	Nintendo	TMT	6,180	18.42	18.94	0.03	0.32	13.77	6.08	22.84	58.75	68.71	75	5	40	15	0	15	20.0
2229	Calbee	Consumer	529	28.85	22.54	2.11	0.20	4.16	5.06	5.71	65.44	66.59	55	-50	40	5	30	30	13.3
6758	Sony	Electronics	6,447	14.35	0.30	0.05	0.23	13.86	9.17	12.23	73.42	66.39	220	-5	130	40	25	30	14.1
6273	SMC	Machinery	2,815	25.29	6.39	1.51	4.55	13.02	10.58	13.98	60.73	66.27	-75	-85	5	-20	0	25	12.9
9107	Kawasaki Kisen Kaisha	Transportation	214	17.69	12.16	0.08	3.97	2.07	5.58	15.17	67.14	65.90	45	-10	50	-15	0	20	5.0
8184	Shimachu	Consumer	161	13.15	13.26	0.06	0.10	7.75	12.36	24.75	62.10	65.32	50	-20	45	15	10	0	5.0
8473	SBI	Financials	655	6.91	0.06	4.43	0.03	4.07	9.60	17.01	76.07	64.75	85	-5	20	5	20	45	9.9
6849	Nihon Kohden	Healthcare	271	28.13	10.47	0.28	1.83	19.42	10.01	15.91	55.96	63.95	80	-5	55	20	0	10	9.7
8591	ORIX	Financials	2,411	17.59	3.58	0.25	0.38	16.16	10.54	16.50	65.91	63.76	125	-20	100	-20	25	40	11.2
8604	Nomura	Financials	2,051	17.33	3.04	6.84	0.09	6.59	14.73	24.72	57.95	62.68	125	-30	100	10	20	25	8.5
7453	Ryohin Keikaku	Consumer	1,039	18.64	19.42	0.11	0.38	4.45	9.70	24.42	56.93	62.15	65	-5	50	-5	0	25	18.4
4612	Nippon Paint	Chemicals	1,472	79.86	48.01	0.05	10.15	21.94	4.00	4.82	15.33	61.76	30	-10	20	-5	5	20	7.9
9783	Benesse	Consumer	411	27.50	2.39	23.08	0.05	8.09	6.71	15.73	56.77	60.90	75	5	50	5	0	15	6.0
6645	Omron	Electronics	1,213	29.76	6.15	3.25	2.83	18.69	9.42	14.10	56.14	60.71	115	0	50	-5	10	60	13.1
6806	Hirose Electric	Electronics	566	31.34	14.19	3.58	0.34	23.95	6.19	27.14	41.52	60.21	-15	-10	5	-10	0	0	7.0
4544	Miraca	Healthcare	200	25.02	0.67	0.20	8.86	15.62	7.53	11.93	63.05	60.02	165	0	105	25	10	25	10.5
6268	Nabtesco	Machinery	450	26.75	13.77	1.66	0.03	12.44	8.97	12.54	60.71	60.00	35	-10	30	-15	10	20	14.0
9962	MISUMI Group	Machinery	897	16.41	0.06	2.36	0.12	13.90	10.67	21.87	61.72	59.57	25	-20	30	-15	0	30	16.6
2768	Sojitz	Materials	487	13.38	1.67	1.60	0.60	9.54	10.99	17.67	68.95	59.39	-10	-15	25	-30	10	0	9.7
6981	Murata Mfg	Electronics	3,620	24.87	8.77	0.82	7.85	11.72	7.73	14.60	60.53	58.79	90	-20	60	-5	0	55	12.7
6965	Hamamatsu Photonics	Electronics	755	23.51	14.60	6.81	0.32	7.20	12.86	19.51	56.97	58.28	-40	-80	5	-20	10	45	11.1
2875	Toyo Suisan Kaisha	Consumer	430	35.29	20.69	6.27	0.50	13.91	9.56	18.38	46.33	57.91	-40	-30	5	-25	20	-10	7.1
4732	USS	Consumer	650	43.09	25.05	17.09	0.15	18.02	6.75	22.06	34.85	57.89	45	-35	25	-15	0	70	13.6
6301	Komatsu	Machinery	3,413	25.40	5.69	0.10	8.77	13.11	9.30	14.54	60.06	57.68	30	-25	35	-15	0	35	14.0
6954	FANUC	Machinery	4,718	19.97	7.38	0.07	0.41	16.34	9.53	16.75	63.28	57.07	-55	-60	10	-15	5	5	12.6
7988	Nifco	Automotive	401	17.33	3.35	4.53	4.91	7.34	12.00	17.43	65.24	57.01	-30	-35	15	-20	0	10	14.9
1878	Daito Trust Constr	Real Estate	1,352	18.82	6.43	2.65	0.76	9.80	9.49	12.95	68.22	56.55	60	5	20	10	10	15	27.9
6727	Wacom	Electronics	99	36.43	12.03	6.70	0.00	19.51	10.44	13.50	50.08	56.39	130	-5	85	20	0	30	20.9
4502	Takeda Pharma	Healthcare	3,492	24.51	0.60	3.87	6.40	15.00	7.85	15.16	60.33	56.05	240	-30	120	45	45	60	10.7
9831	Yamada Denki	Consumer	547	26.09	30.60	3.41	0.01	8.12	5.53	23.34	50.57	56.00	0	-30	5	-10	0	35	6.3
9201	Japan Airlines	Transportation	1,489	16.90	6.57	0.06	2.28	8.61	14.31	21.53	61.56	55.60	50	-15	40	-15	20	20	10.3
8303	Shinsei Bank	Financials	446	32.16	0.04	3.80	12.52	22.08	8.12	36.90	30.95	55.28	75	-15	40	-5	20	35	5.8
4062	Ibiden	Electronics	236	30.69	17.60	6.19	0.00	7.52	8.80	13.81	55.50	54.16	115	-5	70	20	10	20	4.8
8140	Ryosan	Electronics	111	28.33	21.64	0.18	6.25	12.04	8.42	24.54	47.13	53.94	80	0	60	15	0	5	5.0

Source: Bloomberg, Jefferies estimates

Company Valuation/Risks

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published , 00:33 ET. June 12, 2018
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Company Specific Disclosures

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Other Companies Mentioned in This Report

- Advantest (6857 JP: ¥2,502, HOLD)
- Aisin Seiki (7259 JP: ¥5,600, HOLD)
- Asahi Glass (5201 JP: ¥4,610, NOT COVERED)
- Canon Marketing Japan (8060 JP: ¥2,382, BUY)
- Central Japan Railway (9022 JP: ¥23,210, BUY)
- COLOPL, Inc (3668 JP: ¥762, BUY)
- CyberAgent Inc. (4751 JP: ¥5,970, HOLD)
- Daido Steel (5471 JP: ¥5,460, UNDERPERFORM)
- Daiwa Securities Group (8601 JP: ¥649, HOLD)
- DeNA Co Ltd. (2432 JP: ¥2,103, BUY)
- Denso (6902 JP: ¥5,581, HOLD)
- Don Quijote Holdings Co., Ltd. (7532 JP: ¥5,850, BUY)
- FamilyMart Uny Holdings Co., Ltd (8028 JP: ¥12,180, HOLD)
- FANUC Corp. (6954 JP: ¥22,790, HOLD)
- Fast Retailing Co., Ltd. (9983 JP: ¥50,270, HOLD)
- GREE Inc. (3632 JP: ¥631, HOLD)
- Hitachi Chemical Company, Ltd. (4217 JP: ¥2,424, BUY)
- Hitachi Construction Machinery (6305 JP: ¥3,860, BUY)
- Hitachi High-Technologies Corporation (8036 JP: ¥4,955, BUY)
- Hoya Corp. (7741 JP: ¥6,563, BUY)
- Idemitsu Kosan Co., Ltd. (5019 JP: ¥3,760, BUY)
- ITOCHU Corporation (8001 JP: ¥2,161, HOLD)
- ITOCHU Techno-Solutions Corporation (4739 JP: ¥2,000, BUY)
- Iwatani (8088 JP: ¥3,940, HOLD)
- Kobayashi Pharmaceutical (4967 JP: ¥9,470, HOLD)
- Kobe Steel (5406 JP: ¥1,126, BUY)
- Komatsu (6301 JP: ¥3,528, BUY)
- Konami Holdings Corporation (9766 JP: ¥5,360, BUY)
- Konica Minolta (4902 JP: ¥1,036, HOLD)
- Kose (4922 JP: ¥24,830, HOLD)
- Kubota Corporation (6326 JP: ¥1,872, BUY)
- Lawson, Inc. (2651 JP: ¥6,940, HOLD)
- Maruichi Steel Tube (5463 JP: ¥3,700, UNDERPERFORM)
- Miraca Holdings (4544 JP: ¥3,400, HOLD)
- Mitsubishi Heavy Industries (7011 JP: ¥4,133, UNDERPERFORM)
- Mitsubishi UFJ Financial Group (8306 JP: ¥677, BUY)
- Mizuho Financial Group (8411 JP: ¥194, HOLD)
- MonotaRO Co Ltd. (3064 JP: ¥4,470, HOLD)
- Nabtesco Corp. (6268 JP: ¥3,580, HOLD)
- Nexon Co., Ltd. (3659 JP: ¥1,761, BUY)
- Nihon Kohden (6849 JP: ¥3,070, HOLD)
- Nikon (7731 JP: ¥1,823, UNDERPERFORM)
- Nintendo Co. Ltd. (7974 JP: ¥41,640, BUY)
- Nippon Paint Holdings Co., Ltd (4612 JP: ¥4,720, UNDERPERFORM)
- Nissan Motor (7201 JP: ¥1,100, HOLD)
- Nisshin Steel (5413 JP: ¥1,613, UNDERPERFORM)
- Nitto Denko (6988 JP: ¥8,762, BUY)
- Nomura Holdings (8604 JP: ¥573, HOLD)
- Nomura Research Institute, Ltd. (4307 JP: ¥5,690, BUY)
- NTT DATA Corporation (9613 JP: ¥1,278, BUY)
- NTT Docomo (9437 JP: ¥2,848, BUY)
- Omron (6645 JP: ¥5,800, HOLD)
- Oriental Land Co., Ltd. (4661 JP: ¥11,275, BUY)
- ORIX Corporation (8591 JP: ¥1,869, BUY)
- Otsuka Corporation (4768 JP: ¥4,590, BUY)
- PERSOL Holdings (2181 JP: ¥2,322, BUY)
- Pigeon (7956 JP: ¥5,210, BUY)
- Rakuten Inc (4755 JP: ¥710, HOLD)
- Resona Holdings (8308 JP: ¥634, BUY)
- Ricoh Company, Ltd. (7752 JP: ¥1,007, HOLD)

Equity Strategy

Japan

12 June 2018

- Ryohin Keikaku (7453 JP: ¥39,200, UNDERPERFORM)
- SCSK Corporation (9719 JP: ¥5,360, BUY)
- Sharp (6753 JP: ¥2,898, UNDERPERFORM)
- Shimadzu (7701 JP: ¥3,000, BUY)
- Shin-Etsu Chemical (4063 JP: ¥11,105, BUY)
- Showa Shell Sekiyu K. K. (5002 JP: ¥1,528, HOLD)
- SMC Corp. (6273 JP: ¥41,870, BUY)
- SoftBank Group (9984 JP: ¥8,143, BUY)
- Sojitz (2768 JP: ¥399, HOLD)
- Sony Corp (6758 JP: ¥5,509, BUY)
- Square Enix Holdings Co. Ltd. (9684 JP: ¥5,290, HOLD)
- Sumitomo Mitsui Financial Group (8316 JP: ¥4,542, BUY)
- Sumitomo Mitsui Trust Holdings, Inc. (8309 JP: ¥4,608, HOLD)
- Sysmex (6869 JP: ¥10,220, BUY)
- TDK Corp. (6762 JP: ¥11,070, NOT COVERED)
- THK Co. (6481 JP: ¥3,780, BUY)
- Tokyo Ohka Kogyo Co., Ltd. (4186 JP: ¥4,210, HOLD)
- Trend Micro Incorporated (4704 JP: ¥6,400, HOLD)
- Ushio (6925 JP: ¥1,584, BUY)
- Yahoo Japan Corp (4689 JP: ¥385, HOLD)

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			Count	Percent	Count	Percent
BUY	1131	53.88%	71	6.28%	14	1.24%
HOLD	834	39.73%	17	2.04%	2	0.24%
UNDERPERFORM	134	6.38%	1	0.75%	0	0.00%

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