

Aggressive value search on all industries basis, all style basis (2)

In the previous newsletter I stressed Pedy based approach for M&A related value. Although the Nikkei Money august 06 edition published different strategist views putting forward their own methodology. I shall go briefly through the 5 main value search type mentioned in the edition with some given as examples for each type of screening.

1- 'M&A related value search'

Shimizu Yamada San (10 years analyst background) prefer the M&A ratio (mkt cap/2 minus net cash/ current cash flow). Anything fewer than 3 for the M&A ratio can be considered as vary cheap. His selection is below

2- 'Expectations type value search'

Tosaki Hirotaka Chief Analyst at Cosmos securities prefers stocks with unknown brand name and limited sales. Based on that logic he picks TSE1 (7482) Shimojima and OSE2 (2668) Dan.

3- 'financial value'

This is the most conservative, a tactic promoted by an accountant. Je focus on PBR ratio .Anything < 1 is interesting as stock is trading at a discount to net asset value with 3 conditions: TSE1 listed, BPS> 1500 ¥, shareholders equity ratio above 75 %.

4- 'unpopular/crisis stocks'

That is typical contrarian logic complementary with other value searches. The article was written by Nomura Financial Research Institute investment director Haganuma Chisato San. Stocks which have low analysts rating finally start to recover. In this case 'consensus rating' is an important indicator. Oil, Trucking, Sea transport, non bank financials are promising. Stocks like (7270) Fuji Heavy, (7513) Kojima, and (9041) Kinki Railways. (9437) NTT Docomo is also mentioned as the subscriptions fall rate started to bottom out, huge cash at hand and sound balance sheet.

Now what to buy?

Just a partial sample of the selection which was published, I double screened them selecting cases of interest.

In the category M&A related search:

stock	M&A ratio	MKT cap	Cash at hand	debt
Fujitsu Business (8092)	-2,42	490,9	353,6	0
Shady (8048)	-1,27	354,6	209,1	0
E-ACCESS(9427)	-1,19	962,7	1586,5	900.9
Matsui co (1810)	-0,72	153,5	167,1	42.1
TACHI-S(7239)	0,01	363,5	181,9	1.0
Oie Sangyo (7481)	0.04	97,5	48,3	0

Mkt cap unit: 100M¥

Figures are 30th May 2006

In the category 'Expectation type value research'

stock	Per	PBR	Shareholder's equity ratio	MKT
Nippon Steel Drum (5908)	8,15	0.77	47,0 %	TSE2
Tomiya Apparel (8067)	16,4	0.87	40,0 %	OSE2
Alinco Corp (5933)	11,46	1,13	46,3 %	TSE2
Shimajima (7482)	15,39	1,45	79,7%	TSE1

Per, Pbr are 28/06/06 closing.

I leap the category 'financial value search' of no great interest.

In the category 'unpopular/crisis stocks'

stock	Consensus rating	MKT cap	PER	07 Expected current profit rise (%)
Fuji Heavy (7270)	-0,15	5190	17,3	17.40
Kyushu Power (9508)	-0,14	12423	20,0	19,70
Kojima (7513)	-0,6	565	16,8	8,70
Sanyo Denki Credit(8565)	-1,0	1022	12,9	5,20

Kinki Nippon Railways(9041)	-0,67	6830	35,69	1,40
Tanabe pharma (4508)	-0.31	3773	21,9	7,0

Consensus rating as of 26/05/2006 (source QUICK)

Per is 28/06/2006 closing.

Unit: 100M¥

I recall my previous PEDY based selection

	FY07 (E) per	DVY	PEDY	MKT
Keika Express (9374)	7,68	4,79	1,60	OSE2
Tokai Tokyo Sec (8616)	8,26	3,83	2,15	TSE1
Aizawa sec (8708)	8,82	3,56	2,47	JAS
Takagi sec (8625)	8,35	3,16	2,64	TSE2
Daichi Chuo Kisen (9132)	8,93	2,97	3,00	TSE1
Iwabuchi elec (5983)	9,44	2,60	3,63	JAS
Hanwa co (8078)	8,76	2,33	3,75	TSE1
*Takachiho elec (2715)	13,03	1,98	6,58	TSE1
*Sakata Inx (4633)	12,55	1,52	8,25	TSE1
*Isuzu (7202)	7,51	0,82	9,15	TSE1
H.S securities (8699)	16,52	1,18	14,0	HERAK
Asset Investors (3121)	20,13	1,39	14,4	OSE2
Canare electric (5819)	19,04	1,20	15,8	JAS

Per, DVY, PEDY calculations are 24/06/06 closing

* Stocks mentioned in the Nikkei money august edition