

The “Now” in the Character Kingdom

By Piroshi Utsunomiya



The Famous “Tokyo Character Street”

On the Yaesu-side of Tokyo Station in an underground shopping center, you can find the bustling “Tokyo Character Street”. Crowded with a diverse set of 21 character goods shops, this place is quickly gaining international fame. During midday, the street is populated by a continuous stream of foreign tourists coming to feast their eyes on Japanese characters. Later, office workers drop by for some refreshing after-work distraction. Mr. Nagai, manager of the popular “KIDDY LAND” store, had this to say.

Tokyo Station Development, co., Ltd., KIDDY LAND Co., Ltd. and Donguri Garden were also interviewed for this article.
©2012 SAN-X CO., LTD. ALL RIGHTS RESERVED.

“Gathering a number of character shops on this single street has produced a concentration of customers that is truly remarkable. This street attracts a great number of overseas customers, allowing them to experience the appeal of Japanese characters. It’s not simply that they are cute. The value of character goods is on the rise because of the warmth and light-heartedness they bring to everyday life.”

Even if you search the world over, you would not likely find another place like this. Tokyo Character Street has something for everyone, attracting not only children but also businessmen and elderly people who purchase character goods both as gifts and for themselves.

The marketplace has become a striking example of a thriving Japanese industry that is taking steps to spread across the world.

The companies of this industry form a kind of fantasy kingdom whose products permeate Japanese society and bring shopping centers like Tokyo Character Street to life. We journeyed deep into this unique Character Kingdom to investigate what goes on behind the curtains.

Riding the Wave of “Cool Japan”

Before we begin, first let’s gain some insight

Sanrio

Hello Kitty was launched in 1974. Since Yuko Yamaguchi, the third Hello Kitty designer since 1980, gave variety to the original, it has grown into a very flexible character.



into this business from the Japanese government.

Given the un-monetized state of Japanese growth industries like animation and character goods overseas, the Ministry of Economy, Trade and Industry (METI) established the Creative Industries Group in 2011. This group is designed to pro-actively support strategic lifestyle-related fields, including content, design, tourism, and fashion, under the theme of "Cool Japan".

According to METI's surveys, the export-ratio of Japanese creative content stands at approximately 5%. When compared to the 17.8% ratio of the US content industry, it is clear that Japan is not capturing demand, particularly that of growing Asian countries.

However, Ryutaro Mihara, in charge of the Cool Japan Policy in the Creative Industries Group, told us that the future of the industry is very promising.

"There is huge potential in Japanese charac-

ters. Because of this, I believe that with proper overseas development, we can expect to see growth similar to that seen domestically."

By coupling the existing base-level of familiarity with product development, advertising, and other character usage methods established in Japan, it is possible to generate appeal and break into large new markets.

The Character Kingdom is on track to take the world by storm.

The Open Innovation Strategy that Catapulted "Hello Kitty" to Stardom [Sanrio Company, Ltd.]

The first stop in the Character Kingdom is Sanrio, makers of the world-renowned "Hello Kitty" brand.

Hello Kitty first appeared in the 1970's targeted at young Japanese girls. No one could have expected the acclaim and fame



Hello Kitty's first side view silhouette drawn for a department store event.

Hello Kitty now enjoys over 35 years later. Mr. Hideo Yamaguchi, Sanrio's operating officer and general manager for Public and Investor Relations, told us about the history of Hello Kitty's success.

"In 1976, immediately after the launch of Hello Kitty, Sanrio established a branch store in the United States to develop our North American sales network. However, a character market did not exist in North America at the time. Sanrio had to expand its presence one



My Melody has enjoyed long-lasting popularity since the 1970s in Japan, the same as Hello Kitty.



©1976, 1996, 2008, 2010, 2012 SANRIO CO., LTD.



Hello Kitty as inspired by "Alice in Wonderland"
The idea of "cosplay" (costume play) has widened the allowable range for changes in Hello Kitty.

store at a time, and as a result was unable to achieve the explosive business expansion it had seen in Japan."

Even the Hello Kitty character had trouble at first. But, over time the brand made its way into people's hearts and is now sold in over 109 countries worldwide.

The deciding factor in Kitty's rise to fame was the flexible licensing system introduced 5 years ago. Corporations that want to sell products using Hello Kitty are able to enter



"Pom Pom Purin two-seater couch"
(JPY 178,500) is the ultimate item for fans.



Choco Cat is most popular character in North America following Hello Kitty.



Sanrio shop "Vivitix" in China offers a wide array of products under the concept of "cute and cool".

into a license agreement with Sanrio and pay licensing fees. Through this system, Hello Kitty was successfully localized in numerous countries through products which were suited to the needs of each market.

"For our overseas expansion, if we must prepare infrastructure for each country and attempt to sell our own products, growth is rather sluggish. The licensing system was a vital condition for our success overseas. Product type and character design are left to the licensee corporations to a certain extent, requiring Sanrio's final approval. This flexible system has been the engine behind Sanrio's success."

Sanrio's strategy is generally known in IT and other industries as "Open Innovation". Through this system, the licensee is able to develop Hello Kitty products suitable for the country or region, thus enhancing the affinity of the characters and products. Many licensors involved in character development and management will not allow any change to character designs and only permit their use. However, Sanrio's system proved to be a decisive move in matching with different markets.

No doubt, Hello Kitty's origin as neither a cartoon nor movie character had considerable influence.

"Characters can be grouped into those which arise from specific content or a story, and those which do not. Sanrio's characters

are all in the latter group, representing what could be called 'product characters'. This means that the Hello Kitty brand starts to function after being paired with the best matching product. On the other hand, characters from movies and cartoons are more strictly tied to copyright and the story's world, making it difficult to change the design to match each product."

Sanrio promotes the concept of "Small Gift, Big Smile". This also is the message delivered by Sanrio's characters. This concept is based on the idea that the giving of small gifts will bring big smiles to both the giver and the receiver.

Hello Kitty is a character born from this concept. Sanrio hopes to bring big smiles to consumers by finding products that best match Hello Kitty. With "Open Innovation", design changes to Hello Kitty are no problem as long as they follow the principle of "Small Gift, Big Smile". If they don't, the product is simply not approved.

Though Open Innovation is a very modern strategy, it presents a difficult decision for character companies with strong control over rights management and maintenance. By moving away from the traditional license management method of the 20th Century and adopting the Open Innovation strategy, Sanrio has proven its position as an innovator.



The strategy business units of Namco Bandai Holdings Inc. are classified into toys and hobby (including toys, plastic models, apparel, and everyday items), entertainment content (such as home video game software, arcade game machines as well as visual and music content), and amusement facilities (planning and management of company's amusement facilities).



Mobile Suit Gundam series (plastic model)



Power Rangers series (toy)



Pretty Cure series (toy)



Anpanman series (toy)

Toys and Hobby

Harnessing the Power of a Corporate Group and Achieving Character Growth through IP Strategy [NAMCO BANDAI Holdings Inc.]

The next step in the Kingdom was Namco Bandai Holdings, which employs a character business growth model quite different from that of Sanrio.

In addition to Mobile Suit Gundam and other characters created by the group itself, Namco Bandai also develops a variety of character products for properties created outside the group, including the Masked Rider series and Pretty Cure series, securing their place as a leader in the character business.

Its strategy for achieving this is effectively leveraging the value of its prominent character IPs across toys, video games, amusement facilities, television and movies, and the group's other areas of business, then presenting such products to consumers.

Within the industry, standard product development is conducted by department, or by company. Toys are made by the toy depart-

ment and video games by the video games department. Namco Bandai utilized a similar structure prior to shifting to group-wide operations. Under the old structure, planning scenarios to promote character growth and marketing for expansion proved difficult. In response, the company devised an original strategy that placed character IPs paramount.

Yuji Asako, a director at Namco Bandai Holdings, explained the group's IP strategy to us.

"We take a very flexible and dynamic approach, marketing characters from a game into a toy-line or from movies into card games. I believe this is because we have taken the strength of our group's varied businesses and organized our work around the central axis of our IPs."

Major characters are assigned persons responsible for their IP management and strategy is planned while balancing the world

of the character and product development. Staff members from each business participate and act as a team.

"It's almost as if there's a Gundam, Inc. or Tamagotchi, Inc., essentially forming a company around each character."

The members of each team become familiarized and well-informed about the character to which they are assigned, generating synergy.

Furthermore, the group is attempting to produce greater synergy by strengthening cooperation with the media.

In 2010, Namco Bandai developed "Mobile Suit Gundam UC", a series with nearly simultaneous worldwide distribution spanning movies, packaged software, and TV/web broadcasts. It was a cross-over campaign which had never been seen in prior content marketing. Though some voiced concerns regarding possible negative effects of simultaneous distribution, this maneuver increased viewer turnout and raised performance for package sales, broadcasts, and product sales.

Namco Bandai has also begun a notable

strategy for the Asian region.

"Using Gundam as an example, we have accelerated web-based broadcasting so that we are already broadcasting the series in multiple languages to 30 different countries and regions. We want consumers to get to know Gundam and its world. On top of this, we are engaging in e-commerce and online sales. The entire operation is essentially being controlled from Japan."

This project would not likely have been possible if the television department had taken on this project alone. It was made possible through placing IP at the core of the business.

The strong ambition to move their group as a leading force in the character business is apparent in Namco Bandai's development. Just as Hollywood's movie business grew to dominate the industry and expanded to include theme parks during 20th century, expectations are high for the 21st century expansion of Japan's character industry.

Japan: Incubator for the Character Business

The people of the Character Kingdom are planning strategies of great scale and greater expectations. Each of them pursues their work with a remarkable drive and passion. Otherwise they would never have been able to expand the domestic market to its present size of JPY 2.5 trillion.

After our journey, we remembered the words of METI's Mr. Mihara.

"There is no other country in the world that uses characters in as many ways and places. Japan is advancing a truly unique business field."

There is no doubt. The extensive experience Japan has gained in this unique field has made it an incubator for the character business. It would be no easy task to gain this level of expertise.

With such a ripe future, the next star of the Character Kingdom is surely just waiting to be born.



Mobile Suit Gundam series (arcade game machine)

Content



ONE PIECE(video game software)



Mobile Suit Gundam UC (motion picture)

Sanrio Company, Ltd.

<http://www.sanrio.co.jp/english/>

Sanrio is promoting social communication business with the theme "Small Gift, Big Smile". The company aims to produce sympathetic characters, and has created over 400 since its founding. Sanrio's business includes planning and development of gift products and theme park operations. Recently, it changed its overseas business model to specialize in licensing.

- TSE/8136 Bloomberg/8136:JP REUTERS/8136.T
- Total Outstanding Shares (May 31 '12): 89,065,301 shares
- Shares per Trading Unit: 100 shares
- Date of listing: Apr. 23 1982

(¥MIL)	Sales	Operating Profit	Ordinary Profit	Net Income
'12.3	74,954	18,906	18,368	14,378
'13.3*	74,700	19,100	18,200	12,200
	Earnings per Share(¥)	Dividend per Share(¥)	ROE(%)	ROA(%)
'12.3	162.56	40.00	38.9	16.2
'13.3*	137.88	40.00		

NAMCO BANDAI Holdings Inc.

<http://www.bandainamco.co.jp/en/>

Namco Bandai Holdings Inc. is the managing holding company for the Namco Bandai group. The group is engaged in a wide range of businesses, including toys, game software, arcade machines, video software, music software, and amusement facilities. Namco Bandai aims to be "the entertainment group with the brightest prospects in the world. The group has targeted Asia in its global strategy as a region for new growth."

- TSE/7832 Bloomberg/7832:JP REUTERS/7832.T
- Total Outstanding Shares (May 31 '12): 222,000,000 shares
- Shares per Trading Unit: 100 shares
- Date of listing: Sept. 29 2005

(¥MIL)	Sales	Operating Profit	Ordinary Profit	Net Income
'12.3	454,210	34,606	34,960	19,303
'13.3*	440,000	30,000	30,000	17,500
	Earnings per Share(¥)	Dividend per Share(¥)	ROE(%)	ROA(%)
'12.3	85.62	26.00	9.1	5.6
'13.3*	79.66	24.00		

*Forecast

Amusement Facility



Character package type amusement corners

©ABC・TOEI ANIMATION TM&© 2012 SCG Power Rangers LLC.All Rights Reserved.
 ©T.YANASE/ FROEBELKAN・TMS・NTV ©SOTSU・SUNRISE ©SOTSU・SUNRISE・MBS
 ©BANDAI・Wi Z 2004 ©尾田栄一郎/集英社・フジテレビ・東映アニメーション ©2012 NBGI
 ©2012 TV ASAHI・TOEI AG・TOEI ©BANDAI・WIZ/ TV TOKYO・2011 Team・Tamagotchi TV
 ©SOTSU・SUNRISE・MBS ©SOTSU・SUNRISE



Mothers PRESIDENTS

Vibrant top-class companies blaze a trail into Japan's future on Mothers, the TSE market for growth companies. A section entitled "Sou (Create)" on the one-stop portal site for the TSE Mothers market, "Mothers Portal" features top executives of Mothers-listed companies. Gain an insight into the unique personalities leading the charge toward a new Japan.

Discovering value to become the No. 1 in total golf services

GDO



Golf Digest Online Inc.
Chief Executive Officer

Nobuya Ishizaka

Spending eight years of my childhood and studying for an MBA in the US later led me to establish Golf Digest Online Inc. (GDO) in 2000 to change the future of Japan's unique culture of "settai (business) golf". Our core business is providing online golf course booking services. Attracting users mainly in their 30s and 40s who want to enjoy playing golf more casually, GDO was listed on the Mothers market four years after its establishment. As of March 2012, GDO has become the largest golf portal site in Japan with 1,970,000 members and over 1,850 affiliated golf courses.

Not only does GDO provide services to our users, but we also offer golf course operators advice on customer management and other systems to help them in developing their marketing strategies. Our idea is to boost the Japanese golf market by approaching both users and golf course operators. Japanese tend to associate golf with luxury and it is thus viewed as an extravagance, but I believe there are many ways golf can contribute to society.

Golf is a game where people can enjoy a half-day with others regardless of age or nationality. In addition, earning revenue from golf courses contributes to regional tax income

and they generate local employment.

We plan to enter markets in China, Southeast Asia, and the US in the hope of spreading golf across the world as a leisure sport that contributes to society. Our company works from the principle that "Golf Links the World". Our medium to long-term target is to become "the world's No. 1 company in total golf services in 2020".

Supporting, expanding, and making TV shopping ever more entertaining! Tri-Stage

The direct marketing business is currently worth JPY 5 trillion. Almost everyone has used mail order at least once. In fact, personally, I love TV shopping and have bought golf clubs, health appliances, and many other things. TV shopping is just so enjoyable. To me, the appeal of TV shopping is this indescribable sense of excitement.

It has been 25 years since I became involved in TV shopping advertisements. I left an advertising agency six years ago to set up Tri-Stage Inc. Two and a half years later, the company was listed on the Mothers market.

For the past six years, I have been doing business based on the philosophy of "completely achieving what I want to do". People who love the world of TV shopping have come together and are finding work here challenging but "interesting" and "satisfying". Today, Tri-Stage has approximately 30% share of TV shopping programs over the digital terrestrial television channels.

In TV shopping, airing a (shopping) program with strong viewership does not necessarily mean success. Sometimes, products sell better during programs with 1% viewership than those with 20%. Our strength is in establishing a media evaluation indicator that helps us estimate corresponding sales when airing programs during a certain TV programming slot. This has enabled us to take on responsibility for the sales of our TV shopping clients.

Tri-Stage will turn our focus overseas, toward Asia and other regions, and hope to bring our TV shopping know-how overseas.

Tri-Stage Inc.
Chief Executive Officer
and Representative Director

Isao Senoo



*The "media ration" is an indicator derived from dividing the sales of a TV shopping product by advertising costs.
A higher media ration can be achieved by selecting appropriate media, using effective advertising expressions, and engaging in smooth sales response.

ケンコーコム
kenko.com

Becoming a market leader with "a healthy lifestyle through e-commerce!"



Kenko.com, Inc.
Founder & CEO

Genri Goto

After graduating from university, I worked for a consulting firm when the bubble economy collapsed. I saw that the successes up to that point, while still assets, were turning into large liabilities. It was no longer true that the creation of good products would lead to global sales. I felt the change to a service-based economy arriving and decided I wanted to try something on my own.

My first challenge was mail order sales of health products made by my father's pharmaceutical company. I learned of the e-commerce world in the US in 1999 and devised the idea of "A Healthy Lifestyle through E-Commerce". Then, I launched the health product e-commerce site "Kenko.com" in 2000.

Though we encountered several difficulties in the beginning, we discovered there was a correlation between item numbers and sales, and thus we were able to expand sales by focusing on increasing the number of items we carried. Currently, we carry 170,000 items with monthly sales of JPY 1.5 billion.

This business, in which we contribute to our customers' health lifestyles through e-commerce, still has large potential. One area is expansion into Asia. I believe the time is approaching where even people living in regions without easy access to retail shops will be able to buy health products if they have access to the Internet. We hope to use the subsidiary we established in Singapore in 2009 as a hub for meeting the health product needs of Asian customers.

*Kenko.com, Inc. conducted a third-party allotment to Rakuten, Inc. with a payment deadline of June 19, 2012. On such date, the investment ratio of Rakuten, Inc. and its wholly owned subsidiary RS Empowerment, Inc. became 51.76%, making Kenko.com Inc. a subsidiary of Rakuten, Inc.



Mar. 15
2012
Listed

LIFENET INSURANCE COMPANY

[Insurance]

<http://ir.lifenet-seimei.co.jp/en/>



About 180 seminars and talks were held nationwide from coast to coast last fiscal year.

President Deguchi

Comprehensible, Cost-competitive, and Convenient. Online life insurer exhibiting robust growth

Lifenet Insurance Company (Lifenet) is an internet-based life insurer open to applications 24 hours a day, 7 days a week. Driven by the desire to "build a society where the younger generation can feel secure and bring up their children", President Haruaki Deguchi and Representative Director Daisuke Iwase established the company together in 2006. By using the Internet, Lifenet is able to remove operational costs such as staffing costs for sales personnel and maintenance costs for sales offices which are incorporated into policy premiums. This allows the insurer to lower policy premiums by the same amount, offering life insurance plans which are affordable even to the child-rearing younger generation.

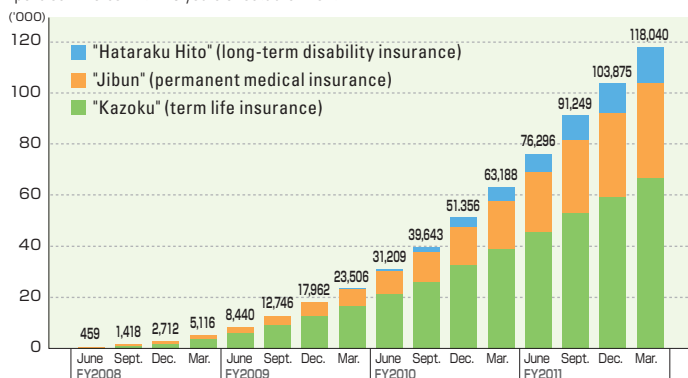
The duo of President Deguchi, a career life-insurer, and Representative Director Iwase, brimming with youthful vigor, offers a dynamic combination. Their manifesto is to "carry out business with the highest levels of integrity, and offer comprehensible, cost-competitive, and convenient products and services". The design of Lifenet's one and only "store", its website, is designed with customer-usability in mind. The company's current product lineup is narrowed down to three indispensable categories, term life insurance, permanent medical insurance, and personal long-term disability insurance. The plans do not include riders and policy dividends and consist of only the bare essentials. It also discloses a breakdown of the insurance premium and how much of this is allotted to expense loading, the first attempt of its kind in the Japanese insurance industry.

With the conditions to achieve their aim now in place, what lies ahead is the challenge of further enhancing awareness and credibility. In addition to its recent listing, the company is raising its profile through the

mass media in the form of TV commercials and transport advertising, as well as social media such as social networking services where the founding duo of Deguchi and Iwase have a presence. Lifenet is gradually broadening its customer base by going on what it calls a "pilgrimage" to spread the word across the country, holding seminars and speeches to communicate their aspirations to existing and new customers. Even though the vision of Lifenet remains relatively unknown, once people hear about it, many often say that they "want to sign up". Lifenet's innovative business model is a focus of attention and has received numerous accolades both in Japan and internationally. "If we look at the size of the life insurance market, there is margin for growth. I hope you look out for the value of our new business," says President Deguchi as he explores opportunities for overseas expansion. This growth stock is being closely watched by investors worldwide.

Number of policies-in-force

With 118,040 policies-in-force as of the end of fiscal year 2011, about 1.9 times the number as of the end of the previous fiscal year, Lifenet is making steady progress toward its target of "150,000 policies-in-force within 5 years of establishment".



Online insurance quotes

Enter your birthday on Lifenet's webpage to obtain an estimate of your insurance premium in about 10 seconds. Lifenet also offers specific plans for various stages in life. Its online FAQ and contact center, open until 10 p.m. on weekdays and 6 p.m. on Saturdays, deal with inquiries on insured amount and period.

Feel free to visit
our IR website!



TSE/7157 Bloomberg/7157:JP REUTERS/7157.T

Total Outstanding Shares (May 31 '12): 42,064,000 shares

Shares per Trading Unit: 100 shares

(¥Mil.)	Ordinary Revenue	Ordinary Profit	Net Income	Fundamental Profit
'11.3	1,827	-820	-834	-574
'12.3	3,773	-687	-900	-391
	Solvency Margin Ratio*1	Embedded Value*2	Value of New Business (average business cost based)*3	Number of New Policies
'11.3	3,283.4%	9,551	1,010	42,214
'12.3	3,499.1%	18,547	1,692	60,725

*1 An indicator of a life insurance company's ability to pay out claims when unforeseen events such as a natural disaster occur. Industry regulators specify the solvency margin ratio at 200%. A figure above this level indicates sound business operations. Figures as of the end of fiscal year 2010 are based on calculation standards for fiscal year 2011.

*2 The sum of "adjusted net assets" based on the balance sheet and the "value of in-force business" based on future cash flow expected from policies-in-force, etc. An indicator of the corporate value of a life insurance company.

*3 The business cost used for calculating the value of new business is based on the assumption that the business cost per policy decreases with an increase in the number of policies-in-force and balance is achieved in the 10th year of business (fiscal year 2017). The value of new business (average business cost based) indicates the value of new business calculated based on such business cost per policy (i.e., balance in the 10th year) from the time of obtaining such new business.

Mar. 8
2012
Listed

istyle Inc. [Information & Communication]



"Japan's largest cosmetics portal site" eyes Asia!

istyle Inc. runs "@cosme", a general beauty and cosmetics portal website boasting a total of 1,860,000 members, 210 million pageviews per month, and more than 9,690,000 user reviews to date. The site's content is also highly-trusted in the industry, with some cosmetics manufacturers incorporating reviews from the site in product development. Media revenue from branding campaigns and affiliate advertising also exhibits robust growth. Its subsidiaries produce the online shopping site "cosme.com", and an actual cosmetic shop "@cosme store". istyle Inc. now aims to expand in the Asian market. (Figures as of Mar. 2012)

<http://www.istyle.co.jp/>

■ TSE/3660 Bloomberg/3660:JP REUTERS/3660.T
■ Total Outstanding Shares (May 31 '12): 6,135,000 shares
■ Shares per Trading Unit: 100 shares

(¥Mil.)	Sales	Operating Profit	Ordinary Profit	Net Income
'11.6	3,832	427	432	259
'12.6*	4,415	570	565	365
	Earnings per Share(¥)	Dividend per Share(¥)	ROE (%)	ROA (%)
'11.6	46.3	0.00	17.1	10.9
'12.6*	64.15	0.00		

Mar. 14
2012
Listed

m-up, Inc. [Information & Communication]



Powered by established, popular mobile content services

m-up, Inc. operates numerous fan sites of celebrities from a wide range of artistes, media personalities, athletes and others for a monthly fee, and also offers a variety of sites distributing a wide collection of digital content from music to characters. Its members-only sites "Machiuke Kyara i Torihoudai" for mobile standby screen characters and "Deco-anime i Torihoudai" for animated e-mail sit proudly at the top of the NTT Docomo's official users rankings. One of its electronic publications "Otoko no Ryuugi Nyuumon" (Shizuka Ijuin) also received an e-book Readers' Award*.

* Readers' Award of the 2012 Da Vinci Magazine E-Book Awards held by the Da Vinci Magazine Digital Navigation/E-Book Awards Committee

<http://www.m-up.com/>

■ TSE/3661 Bloomberg/3661:JP REUTERS/3661.T
■ Total Outstanding Shares (May 31 '12): 1,627,900 shares
■ Shares per Trading Unit: 100 shares

(¥Mil.)	Sales	Operating Profit	Ordinary Profit	Net Income
'12.3	3,603	486	471	261
'13.3*	3,700	500	500	300
	Earnings per Share(¥)	Dividend per Share(¥)	ROE (%)	ROA (%)
'12.3	185.01	50.00	22.6	13.6
'13.3*	184.52	55.00		

Mar. 27
2012
Listed

VECTOR INC. [Services]



Amid continued Asian economic growth, Vector, Inc. is expanding its business across the region around its hubs in Tokyo and Shanghai. The company looks to enter the ASEAN market in its aim to become "Asia's No. 1 PR Group".

Aiming for Asia's No. 1 as the leader in strategic PR

Vector, Inc. is a PR firm engaged in the business of supporting corporate strategic marketing activities. Going beyond general public relations support, it applies PR concepts in the fields of advertising and marketing to offer "strategic PR" to boost the overall effect of corporate marketing activities. As "professionals of product promotion", not only does the company possess know-how on PR planning and operation, it also has a network encompassing a wide range of new media from blogs to social media. Vector, Inc. meets the growing needs of corporate marketing in today's society inundated with information, helping its clients execute effective media promotion strategies to reach target consumers.

<http://www.vectorinc.co.jp/en/>

■ TSE/6058 Bloomberg/6058:JP REUTERS/6058.T
■ Total Outstanding Shares (May 31 '12): 4,205,000 shares
■ Shares per Trading Unit: 100 shares

(¥Mil.)	Sales	Operating Profit	Ordinary Profit	Net Income
'12.2	3,815	492	487	310
'13.2*	4,494	589	567	324
	Earnings per Share(¥)	Dividend per Share(¥)	ROE (%)	ROA (%)
'12.2	84.54	0.00	27.5	15.8
'13.2*	78.27	—*2		

*2 The estimated amount of dividends is to be determined.

* Forecast

TSE magazine 2012 August 27

The J-REIT's Market First IPO in 4.5 years



Kenedix Residential Investment Corporation

Kenedix Residential Investment Corporation (code: 3278) was the first IPO on the TSE J-REIT market on April 26, 2012 for about four and a half years. Since the Lehman Shock, IPO conditions in the J-REIT market have been extremely harsh due to events such as the Great East Japan Earthquake and the European debt crisis. This long-awaited IPO is expected to give the market a fresh lease on life. Asset management is entrusted to Kenedix Residential Partners, Inc., a J-REIT asset management company which follows the corporate philosophy of Kenedix, Inc. and draws from the expertise of its human resources. Kenedix, Inc. is itself an independent real estate management company listed on the TSE First Section. With the aim of “earning steady rental income and achieving stable asset value growth”, the J-REIT's core area of investments lies in residential facilities (e.g., rental accommodation). Currently, it owns a portfolio of 20 properties worth approximately JPY 30 billion, composed of rental accommodation in major urban areas such as Daikanyama and Yoyogi in central Tokyo and Osaka's Sakaisuji-honmachi area. The group

also seeks to build a strong brand, naming its properties “KDX Residence” in line with branding strategy.

Compared with other property segments, rental accommodation is considered useful for diversifying risk due to little fluctuation in rent, a large number of tenants, and relatively small scale per property. Kenedix Residential Investment Corporation invests and manages its assets by making the most of the characteristics of rental accommodation.



KDX Daikanyama Residence



KDX Sakaisuji Honmachi Residence

This document was created for the sole purpose of providing information and was not intended as solicitation for investment.

<http://www.kdr-reit.com/>

Renewal of the Listed Company Award System

Introducing the Corporate Value Improvement Award

Amidst the long-term stagnation of the Japanese economy, there has been increasing demand for listed companies to pursue corporate activities which respect the position of investors/shareholders and management to improve corporate value. Proactive measures at listed companies are expected to contribute to improving the attractiveness and international competitiveness of the Japanese capital market. It is hoped that such actions will benefit the listed companies themselves by securing risk money both domestically and from overseas for effective use in the capital market.

In light of this, TSE renewed the Listed Company Awards in order to promote further initiatives from listed companies as follows.

(1) Establishment of the “Corporate Value Improvement Award”

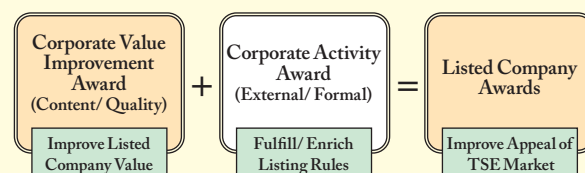
As a new part of the awards system, TSE has established the “Corporate Value Improvement Award”. This award shall recognize listed companies which have improved their corporate value by enacting initiatives in consideration of capital cost and the viewpoints of investors, while contributing to improving the appeal of the TSE market.

Selection shall be conducted by a committee of experts. Candidates shall be listed domestic companies which have been acknowledged for capital cost-conscious management which is

reflected in financial performance. A single winner shall be selected from among these candidates.

(2) Announcement of “Corporate Activity Award” Themes

The “Corporate Activity Award” has been presented for the past 3 years to companies which contribute to the enrichment and permeation of the Code of Corporate Conduct provided in TSE's listing rules. By announcing the theme of the award in advance, TSE will encourage listed companies to engage in more proactive initiatives. The theme for this year will be “Nomination of Independent Outside Directors/Auditors”.



TSE has renewed the award system to include the “Corporate Value Improvement Award” which recognizes content and quality and the “Corporate Activity Award” which recognizes external and formal actions. In doing so, TSE is promoting proactive initiatives for the investors and shareholders of listed companies while working to improve the appeal of the Japanese capital market.

MOU with Central Bank of Myanmar on Support for Establishing a Securities Exchange

The Central Bank of Myanmar, Daiwa Institute of Research Ltd. (DIR), the core information-generating arm of Daiwa Securities Group, and Tokyo Stock Exchange Group, Inc. (TSE) signed a memorandum of understanding (MOU) on May 29, 2012 regarding cooperation toward establishing a securities exchange and supporting the development of a capital market in Myanmar. The ceremony was attended by the Union Minister for the Ministry of Finance and Revenue and the Japanese Ambassador to Myanmar.

Based on this MOU, TSE and DIR shall cooperate in the following areas in order to create and develop a financial and capital market, including the establishment of the first securities exchange in Myanmar.

- Advice on design of securities exchange markets
- Advice on design and planning of securities exchange systems
- Support for human resource development
- Seminars on finance and capital markets
- Support for operating a securities exchange

DIR began working in cooperation with Myanma Economic Bank, Myanmar's largest state-owned bank, 15 years ago to establish Myanmar Securities Centre Co., Ltd. (MSEC) and develop a securities market infrastructure in 1996. With the conclusion of this MOU, DIR will strengthen its support for the development of a Myanmar capital market, including the cultivation of human resources and provision of know-how regarding the creation/operation of systems related to the securities business.

TSE will help set up Myanmar's first securities exchange, offering its knowledge as a world-class market with a large number of listed companies and high trading volume. By sharing its experience and technological expertise regarding securities market operations, TSE will work to create a fund-raising venue which is vital to the growth of local corporations, while also focusing on education to further



secure investor participation for the overall development of a securities market in Myanmar.

At the MOU signing ceremony, Mr. Atsushi Saito, president and CEO of TSE, expressed that more vibrant corporate activities will help support the growth of a nation's economy and in order to enhance corporate activities, it is essential to have a system for raising money from many investors through stock issuance. He added that it is also important for investors to be rewarded through a distribution of profits by those corporations.

One of the most important missions of a securities exchange is to provide a smooth circulation of funds between corporations and investors. TSE hopes that this MOU will allow it to contribute to the development of a financial and capital market in Myanmar and bring affluence to the society and its people.

Launch of TSE's Official Facebook Page

TSE has launched its official Facebook page. We hope to use Facebook as a complement to the wide range of information offered through the TSE homepage to encourage more interactive communication with users and overseas investors.

We will be posting a variety of content, including information on TSE rules and services, latest statistic data, event pictures, and other lively content to provide users with a new perspective on the TSE market.

<https://www.facebook.com/TokyoStockExchangeGlobal>



Travel without Travail!



Raised in Colorado and educated at Harvard University, Patrick Harlan has been a professional comedian, actor and TV personality in Japan since 1996.

A few years ago I was flying on a flight in the US, with a very funny chief purser. First he advised us to “please fasten your seatbelts low and tight across your lap, to secure your spare tire in case of emergency.” He also instructed us that “anything placed in the overhead bins must be under 40 pounds and 4 years of age.” Then before takeoff he announced, “Thank you for choosing to ignore rumors of our imminent bankruptcy and fly with us today. As you can see, we have many empty seats on our flight today, so please take this opportunity to move to a window seat if you prefer. That way our flight will look much fuller to people outside, especially creditors.” The announcements were so entertaining, many of us almost forgot that the flight took off 45 minutes late. Almost.

Japanese transportation professionals rarely indulge in humorous monologues. But that doesn't mean they aren't entertaining. I can spend hours at a train station watching the train drivers pointing their fingers and talking to themselves. You can, of course, witness many people talking to themselves and/or to invisible companions on the New York Subway, for example, but this is a different phenomenon. It's called “Yubisashi Kakunin” or “finger-pointing confirmation” in “English.” The idea is that by making the safety check a physical ritual, the driver will better remember to look for important signals, danger points and the road ahead while making it easier for an inspector to verify that he does. For us spectators, though, it just looks funny.

The drivers wear white gloves, perhaps to make their hand movements more visible, or perhaps in case they want to break into impromptu pantomime. There are, however, other people on train platforms who wear gloves for a more critical reason. They are pushers, a rare breed of railroad specialist whose habitat is limited to subway platforms and who only emerge during rush hour. Their sole responsibility is physically stuffing overflowing commuters into the train so the doors can close. They do this with calm competence and polite consideration. And they wear gloves. The gloves show respect to the commuters they are treating like livestock, but more importantly, when a pusher's hand gets caught in a closing door, the hand can slip free, leaving the glove behind. I often wonder if mono-gloved megastar Michael Jackson used to have this job.

Taxi drivers wear gloves as well, and the backseats of taxis are covered with lovely lace doilies. The feature which surprised me most when I first used a Japanese taxi, however, was the door. I had just stopped a taxi on the street and was reaching out to grasp the handle when the door suddenly opened before me. My Jedi powers were working! Actually, it was the driver operating the backseat door with a lever next to his seat. It took me a while to get used to this system, but now it just seems natural. In fact, now when I catch a cab in

New York, for example, I'll stand waiting for the door to open out of habit. I'll watch two or three cabs drive off before I realize the problem. It's unnerving. Once inside the cab, though, even without the gloves and doilies, I am soon reminded of taxis in Japan. New York cabbies don't speak English either.

When traveling abroad, however, the thing I miss most about Japanese transportation is the lack of drama. People just move smoothly, calmly from one place to another. No stress, no problems, no danger, no drama. You can arrive at the airport 20 minutes before departure and still make your flight with time to spare. (And, you can bring bottled beverages through security; they have a chemical sensor to check liquids!) You can use the same electronic train pass on railways, subways, buses, and taxis, not to mention convenience stores, restaurants, bookstores and vending machines. You can ride anything at any hour without fear for your belongings or safety. Once on a crowded train, the man next to me pulled out a wad of bills as thick as a novel and started counting. The thought of thieves apparently never crossed his mind, though the thought of thieving immediately entered mine.

There are also small but significant courtesies available here to make your travel more enjoyable. There are hot towels and free coffee or tea passed out on some Shinkansen trains. On overnight buses, each seat has curtains for privacy, masks for your eyes and slippers for your feet, and the reclining seats are staggered so you don't share an armrest with a (possibly literal) sumo wrestler.

Above all else, transportation is predictable and dependable. Everything runs on time, all the time. This is not, of course, the global norm. A friend of mine from rural Sri Lanka tells of waiting for a train at his local station. When the train arrived on time, my friend exclaimed, “It's a miracle!” to which the passenger waiting next to him replied, “No sir, this is yesterday's train.”

Here in Japan, a delay of even a few minutes is rare and cause for many apologies. Announcements are made expressing sincere regret that passengers' valuable time has been wasted. One time on the Shinkansen, I heard this: “Ladies and Gentlemen, as we announced previously, we left Nagoya station a few minutes late. We are very sorry. However, we will be arriving in Tokyo on schedule. Once again, we are very sorry.” Even unexpected non-delays are cause for concern.

In general, the means of transportation are conspicuous in their inconspicuousness. Whether a tourist or commuter in Japan, after a trip you remember what happened at point A or point B, not the hassle getting between them. In short, Japanese transportation may not leave you laughing, but it will always leave you with a smile.

Amazing Japan
by Patrick Harlan

Taste of the Four Seasons GRILLED EEL



Beating the Heat with Unagi!

Since olden times, the Japanese have observed the custom of eating freshwater eel, or unagi, at the height of summer. This practice stems from unagi's high amount of protein and vitamins and easy digestibility, which are thought to act as fortification against hot, exhausting summer days.

The most well-known method of cooking unagi is "kabayaki", where the eel is grilled in a sweet, soy-based sauce. In the over 200 year-old restaurant "Nodaiwa", the eels are first sliced down their backs before being skewered and broiled. After this, they are steamed and glazed with the sauce before grilling. This is a job requiring speed and care. It is said that cutting and skewering each require 3 years of practice before proficiency is achieved. Grilling? That requires a lifetime. Mr. Noboru Kanemoto, the next owner chef of Nodaiwa shared some insight into the cooking process with us.

"A skilled chef is able to remove most of the bones while splitting the eel. A mere 40 seconds is required from when the knife first enters the eel until the last skewer is set. The taste will suffer if it's not done efficiently. When grilling, the chef needs to have a kind of "intuition" regarding the strength of the flame and time spent on the grill. Undercooking will leave the eel tasting raw, while overcooking will turn it to charcoal. There is a great deal of variation in size and fat distribution, meaning you must pay close attention to how each unagi cooks. Bringing out the flavor of the eel without burning it is incredibly difficult."

The sauce used in kabayaki is made from soy sauce and sweet rice wine called mirin. The ratio of these two ingredients is a point of distinction between restaurants. At Nodaiwa, they have adapted their sauce to modern lifestyles, making it slightly sweeter than in the past.

Mr. Kanemoto adds "When a person is out laboring and sweating in the sun, they will find a saltier flavor more appealing. However, most people today work in air-conditioned rooms without sweating much. For them, a sweeter sauce is more suitable. Though Nodaiwa is a very well-established shop, we do not restrict ourselves to the restaurant's 'original flavor'. We adapt our flavor and menu with the times to ensure our customers are always satisfied."

Nodaiwa also has several original menu items featuring shirayaki-style eel, including one stewed with tofu

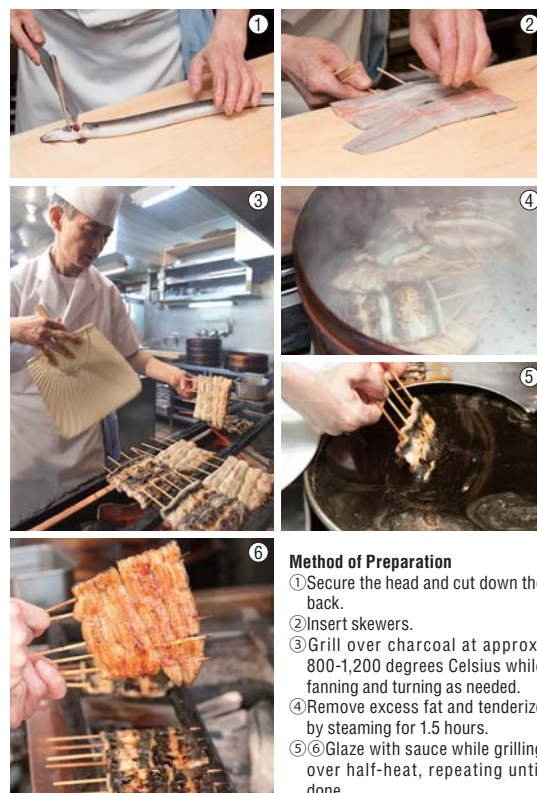
and another topped with caviar. Shirayaki is a cooking style similar to kabayaki, but without the sauce. Shirayaki-style eel is generally eaten with wasabi soy-sauce, but Nodaiwa's recommendation of natural Italian salt is a big hit with customers. This style is also well-suited to wine and you can find many Nodaiwa patrons swirling a glass with their unagi. The restaurant also enjoys a regular stream of overseas customers and has English menus at the ready.

Kabayaki has a history dating back to the 1300-1400's and has become known as a Japanese delicacy. With dwindling numbers of natural eels and import restrictions on farmed eels, prices have skyrocketed. However, there is no substitute for unagi's rich flavor. This summer, how about beating the heat with this one-of-a-kind Japanese delicacy?



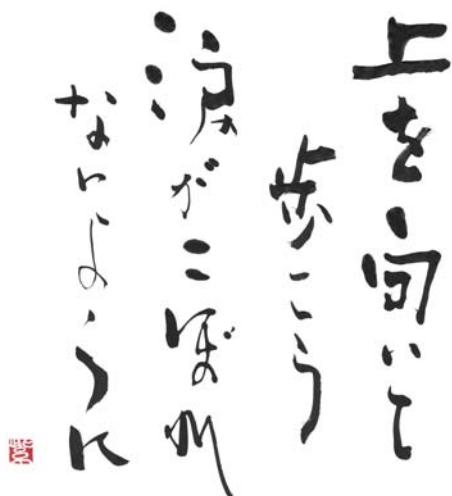
NODAIWA Main restaurant
1-5-4, Higashiazabu, Minato-ku,
Tokyo
www.nodaiwa.co.jp
Tel. +81-3-3583-7852

Nodaiwa Paris-Tokyo
www.nodaiwa.com/en/



Method of Preparation

- ① Secure the head and cut down the back.
- ② Insert skewers.
- ③ Grill over charcoal at approx. 800-1,200 degrees Celsius while fanning and turning as needed.
- ④ Remove excess fat and tenderize by steaming for 1.5 hours.
- ⑤ ⑥ Glaze with sauce while grilling over half-heat, repeating until done.



calligraphy: SISYU



"I Shall Walk Looking Up"

When thinking of Japanese music, what comes to mind? In 2011, Saori Yuki's "Yoake no Scat" garnered some attention globally, but prior to that there is surely one song that comes to mind.

Though you may not know the Japanese title "*Ue wo Muite Arukou*", "SUKIYAKI" will no doubt start you humming the tune. It was exactly 50 years ago, in 1962, when Kyu Sakamoto first lit up the charts with this song.

I shall walk looking up (*Ue wo muite arukou*)
 Counting the stars blurred by my tears (*Nijinda hoshi wo kazoete*)
 Remembering the summer days (*Omoidasu natsu no hi*)
 On a night by myself (*Hitoribotchi no yoru*)

When on the verge of recovering from grief, we often start by walking. Moving on is universal. Even if you don't understand the lyrics, this song has the power to raise your spirits, in the same way as it lifted those of listeners all over the world.

Today, 1.5 years since the Great East Japan Earthquake, many Japanese are likely humming this tune as well.

The English title "SUKIYAKI" is actually a type of Japanese cuisine that has no relation to the meaning of the song. At the time of its release, SUKIYAKI was recognizable and easily associated with Japan. Moving forward we hope the people of the world will remember the Japanese word "TOMODACHI", or friend, and accompany us as we continue to walk looking up.