

SMACOM provides valuable information that supports the decision-making of professionals who perform well in financial markets.

SMACOM evaluates more than 40,000 companies in 51 major economies using Nikkei FTRI's sophisticated technologies and unique analytical skills. A wide range of data is used by SMACOM to evaluate companies, including financial statements, Nikkei News, and disclosed information. In its analysis, SMACOM leverages the analyzed data and applies it to cutting-edge techniques and modeling expertise that Nikkei FTRI has developed over two decades. Another key feature of SMACOM is the use of exclusive information, including data from Nikkei newspapers and Quick news, which it can access because of our status as a member of the Nikkei group.

SMACOM delivers 8 characteristic scores.

There are five scores that evaluate the intrinsic value of companies:

1. The “News Sentiment Score” is derived from news information that could impact the company’s future value. This score is derived from Nikkei and QUICK news using the Natural Language Processing technique.
2. The “Securities Report (SR) Sentiment Score” is derived from a security report (= 10K) disclosed by a company. The score primarily evaluates readability and variety of vocabulary. Using Natural Language Processing, the main information comes from "Management Analysis of Financial Condition, Results of Operations and Cash Flows" of “Business Overview” in the Annual Securities Report of the company.
3. The “Financial Statement (FS) Forecast Score” is derived from a simulation of forecasted financial statements of a company using “ARIES,” a simulation system developed by Nikkei FTRI for macro stress testing purposes.
4. The “Fundamental Score” is calculated from the financial information of the company, such as FCF and ROA. The score is selected for its uniqueness, which is uncorrelated with the Fama and French Three Factors.
5. The “Total Score” is an aggregated score that aims to evaluate the company’s intrinsic value by using the SMACOM output (from 1.to 4. scores) as input variables.

There are 3 scores related to a company's risks and credits:

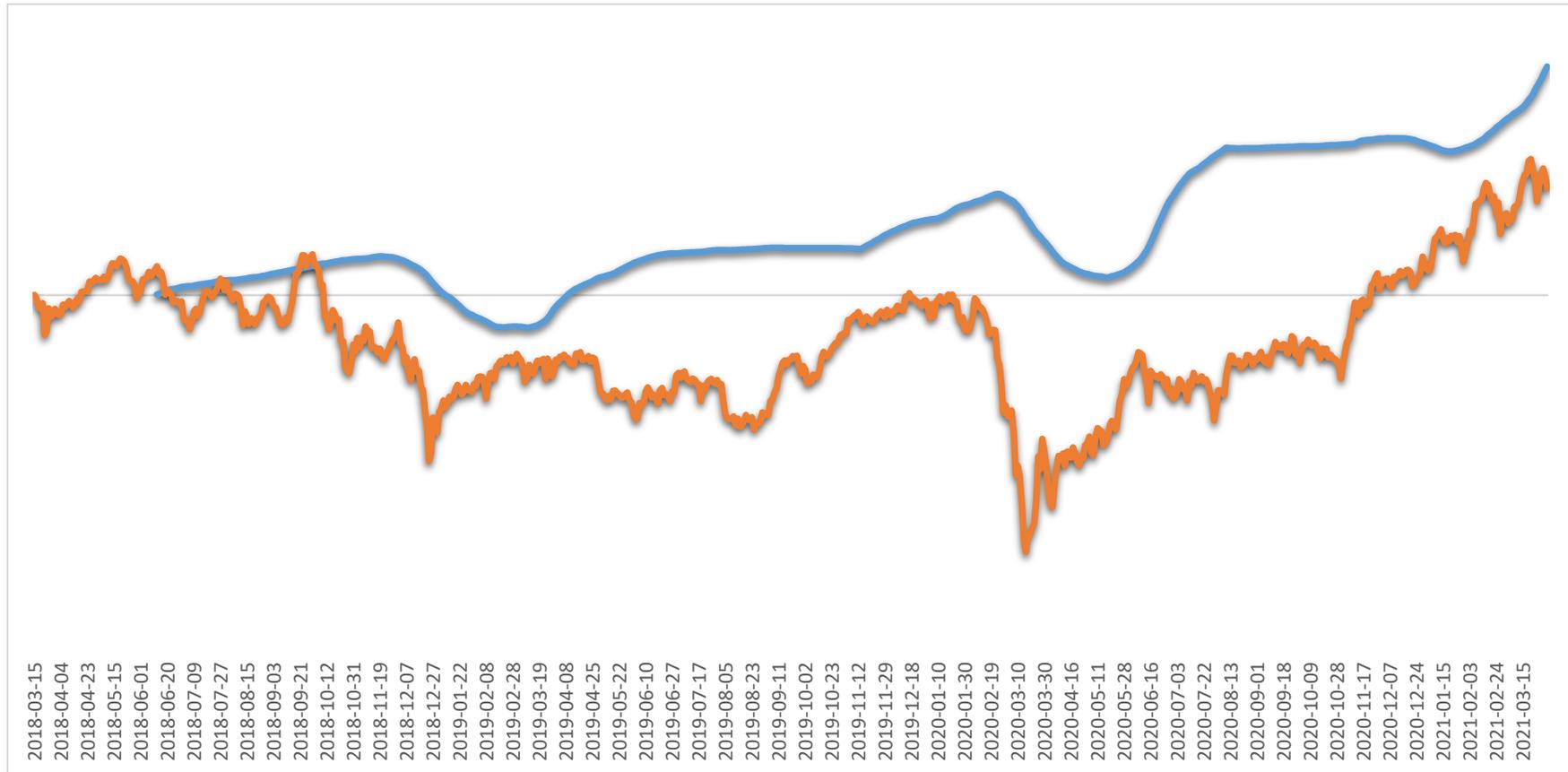
6. The “Credit Score” evaluates probabilities of default within a year. The score is calculated with the default models and database developed by FTRI.
7. The “Accrual Score” evaluates financial reporting quality and credibility. A higher score is interpreted as less discretionary by management and indicates a higher financial reporting credibility.
8. The “Credit Rating Change Score” represents the probability of a changing credit rating, by a credit agency, being upgraded, downgraded, or maintained in the near future.

In addition to these eight scores, SMACOM delivers various information and preprocessing data, which also contain useful information about companies. SMACOM users are able to develop original in-house models by utilizing the information and data, as done in the past by many prestigious hedge funds.

SMACOM can provide these scores and information through a user-friendly browser-based UI, enabling users to make customized portfolios and easily check the quality and characteristics of their portfolio status, anytime and anywhere.

SMACOM also provides its scores and information through CSV and TEXT files.

The performance of the “Total Score”, one of the scores delivered by SMACOM, can be evaluated using historical time-series data as follows:



Here, we set up a back-testing strategy to evaluate the Total Score:

1. Create five portfolios in order of increasing Total Score.

2. Portfolio 1, with the highest Total Score (over 70 points), is long and Portfolio 5, with the lowest Total Score (under 30 points), is short. We have used back data from March 2018 to March 2021. You can confirm that Total Score (Blue line) has performed better over the long term against TOPIX (Orange line).

The performance of the “News Sentiment Score” from 2011 to 2021 has been measured in the same way as above. We find that the News Sentiment Score (Blue line) has outperformed TOPIX (Orange line) over the term as well, on the five-day holding period.

