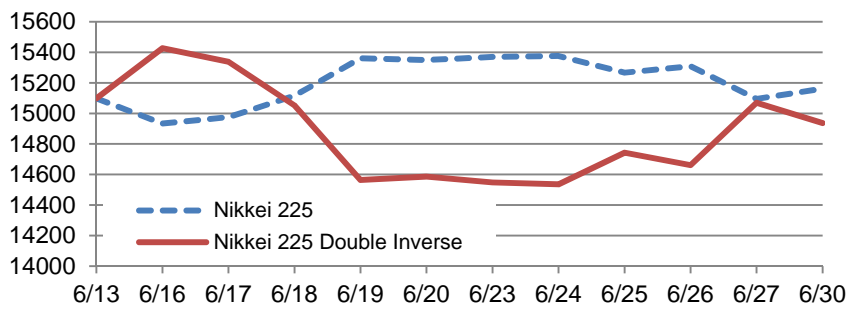


Nikkei 225 in June

As of the end of June, the Nikkei Stock Average (Nikkei 225) stood at 15162.10 up 529.72 points, or 3.62%, from the end of May, an increase for the second month in a row. More investors have felt safe to buy stocks as the government showed its positive stance on structural reforms such as a corporate tax reduction in the growth strategy initiatives. The market was also supported by the appreciation of domestic stocks based on a view that the consumption tax hike has not affected significantly as expected.

This month's Topic : Varied phases of stock markets clarified by the Strategy indices

Nikkei Inc. has added the Nikkei 225 Double Inverse Index into the Strategies Index Series on the Nikkei 225 since June 16th. The index, which could produce a positive return in a downward phase of stock market, fell 1.1% from 16th to 30th of June while the Nikkei 225 rose 0.4% during the period.



*)The strategy indices in Figure 1 to Figure 5 were adjusted to the same levels as the Nikkei 225 at the beginning of the graph.

Figure 1. Nikkei 225 Double Inverse Index and Nikkei 225

This result indicates the recent could be a “buoyant phase”. However, how long the “recent” phase is defined could make market phase seen differently and make the best investment strategy changeable.

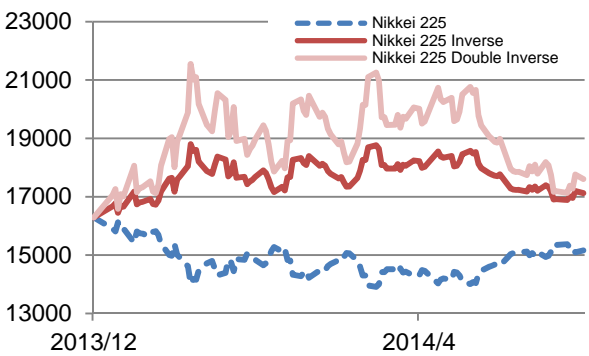


Figure 2. Three indices for the first half of 2014

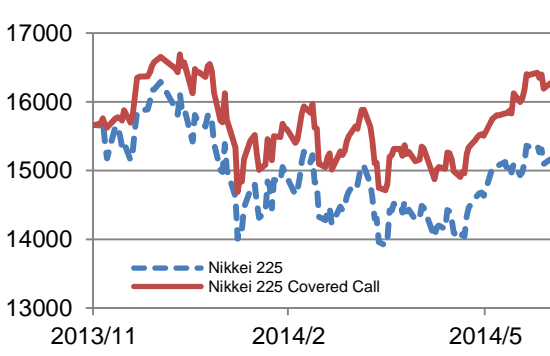


Figure 3 .Two indices for the past 7 months

For example, what if the “recent” period was set as the past six months? During the period, the Nikkei 225 declined 6.9%. Adversely, the Nikkei Inverse Index and the Nikkei Double Inverse Index climbed 5.1% and 8.1% respectively (Figure 2). “Inverse” strategies were effective in such downward phase.

What if the “recent” phase was extended to the past 7 months? The Nikkei 225 Covered Call Index produced the best in the 5 Strategy indices. The index increased 3.9%, 7 percentage points greater than the return of the Nikkei 225 for the same period (Figure 3). The covered call strategy is said to be effective in the standoff phase due to being able to adding option premiums on the underlying index return. This result represented that it could be in the period the index has been moved in a ranged around 15000 yen .

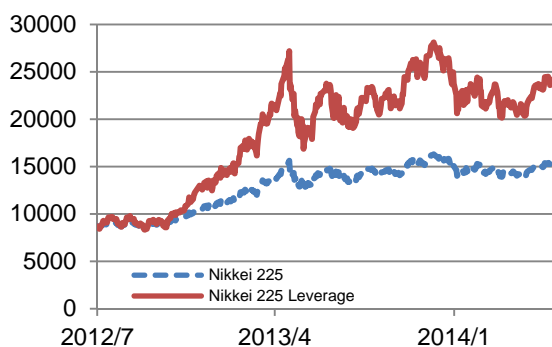


Figure 4. Two indices for the past 23 months

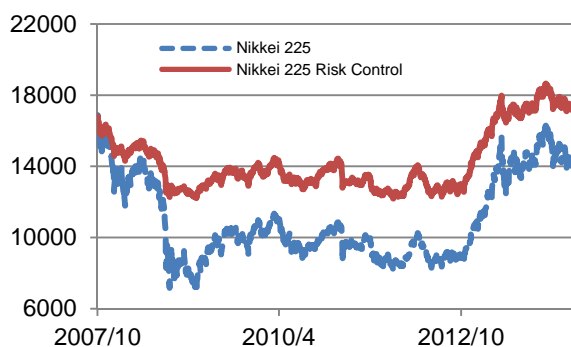


Figure 5. Two indices for the past 80 months

How about the “recent” extended to 23 months? It was a buoyant phase when the Nikkei 225 surged around 70%. During the period, the Nikkei 225 Leverage Index was the best performer of 173.8% (Figure 4). What if the “recent” was the past 80 months? It included significant two market plunges. Figure 5 showed the Nikkei 225 Risk Control Index, whose volatility is controlled, seems the best strategy.

Performance Summary of June 2014

○Nikkei 225 and its derived indices (Data as of end of June)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	15162.10	3.62%	0.05%	1.37%	16121.45	8-Jan	13910.16	14-Apr
Nikkei 225 TR	22141.62	3.75%	0.06%	1.38%	23327.25	8-Jan	20271.52	4-Feb
Nikkei 225 VI (Volatility)	17.34	-12.20%	-0.19%	4.41%	33.21	4-Feb	16.31	26-Jun
Nikkei 225 VI Futures	54188.39	-14.93%	-0.27%	2.46%	97741.36	4-Feb	52616.82	26-Jun
Nikkei 225 Covered Call	13675.29	4.89%	0.06%	1.19%	14030.41	8-Jan	12348.19	4-Feb
Nikkei 225 Risk Control	15712.99	2.42%	0.03%	0.70%	16161.58	8-Jan	14898.08	14-Apr
Nikkei 225 Leveraged	9780.10	7.22%	0.10%	2.75%	11295.91	8-Jan	8275.01	14-Apr
Nikkei 225 Inverse	3324.26	-3.63%	-0.05%	1.37%	3651.06	4-Feb	3193.30	8-Jan
Nikkei 225 Double Inverse	5283.65	-7.27%	-0.10%	2.75%	6467.31	4-Feb	4978.60	8-Jan

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	120.32	15.80%	120.32	2014	46.54	2002

○Benchmark and other indices

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
JPX-Nikkei Index 400	11466.23	4.75%	0.05%	1.21%	11800.26	8-Jan	10314.83	14-Apr
Nikkei 300	255.43	4.53%	0.05%	1.22%	265.90	8-Jan	229.49	14-Apr
Nikkei China Related 50	1332.35	4.43%	0.04%	1.23%	1399.88	8-Jan	1220.64	4-Feb
Nikkei 500 Average	1327.47	4.50%	0.06%	1.19%	1348.15	8-Jan	1191.33	4-Feb
Nikkei Japan 1000	1488.82	5.02%	0.05%	1.23%	1541.51	8-Jan	1335.72	14-Apr
Nikkei JASDAQ Average	2155.47	7.33%	0.09%	0.85%	2187.50	22-Jan	1890.85	19-May

Note: Avg Return and Volatility are calculated on the daily return for the past 1 year.

"Change" in the Nikkei 225 Dividend Point Index (Nikkei 225 DP) indicates a comparison with the value at the end of June 2013.

Historical High and Low in the dividend index were based on the values in the same month since 1998.

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