

FAQ
(Nikkei 225 Total Return Index)

Nikkei Inc.

1. What is the Nikkei225 Total Return?

The Nikkei 225 Total Return is an index that measures the performance of the Nikkei 225 that includes both movements in the component stock prices and reinvestment of dividend incomes from its component stocks. The index is calculated and published as the value on the end-of-day basis since December 3, 2012. The index was calculated retroactively back to the end of 1979 as its base value was 6569.47 (equal to closing price of the Nikkei 225 (price index) on the day).

2. How is the dividend reinvestment reflected on the index calculation?

The index value on a day is calculated by multiplying the index value on the previous day by the return of the Nikkei 225 including dividends. This calculation indicates that dividends obtained from constituent stocks are reinvested with the weights of the Nikkei 225 at the closing prices on the ex-date.

3. Why estimated dividends are used for the calculation?

In general, the figures of dividend incomes are recorded on the ex-dividend date for asset valuations. However, it is common for Japanese companies to fix dividends paying to their shareholders after the ex-dates. Therefore estimated dividends are used for the index calculation on the ex-date. The difference between the estimated dividend and the actual dividend reflects the index on the next business day when the dividend is fixed. The timing to fix the dividends is the same as that for the calculation of the “Nikkei Stock Average DP Index” (i.e. on the dates of annual regular shareholder meetings in case of the annual dividends/ on the dates of the publication by the companies in case of the other dividends).

4. What does the index value describe?

The index value represents the performance of the investment that tracks the Nikkei 225 including reinvestment of the dividend incomes from the component stocks since year-end 1979. Therefore the return of the index between some two time points shows the performance of the Nikkei 225 including dividend investments for the period. Comparing the returns of the Total Return Index with those of the Nikkei 225 price index clarifies the dividend impacts to increase the Total Return, i.e. effect of dividend reinvestment.

5. Are the change rates of the Total Return identical to those of the Nikkei 225, price index on other days than the ex-dividend dates?

The daily change rate of the Total Return is different from that of the Nikkei 225 on

the ex-dividend date and the dividend adjustment date, i.e. next business day when the dividend is fixed). However the daily change rates of the Total Return are the same as those of the Nikkei 225 on the other days.

6. How is the dividend of constituent stock deleted from the index treated?

The point is whether or not the stock is a constituent of the Nikkei 225 on the ex-dividend date. If the stock is a constituent of the index on the day, its dividend is included on the index. If the stock is deleted due to delisting etc. on the ex-dividend date, its dividend is not reflected on the index. If the stock is a constituent on the ex-dividend date and is deleted after the ex-date, the difference between its estimated dividend and actual dividend, if there is, is reflected on the index as the adjustment value.

7. How is the dividend of stock that is added on the index on the ex-dividend date treated?

As the stock is a constituent of the Nikkei 225 on the ex-dividend date, its dividend is included on the index.

8. How is it possible to obtain the historical index value?

Please visit the page of Nikkei 225 Total Return Index or “Download Centers” in “Indexes” page. Its daily and monthly data are provided for 3 years and 10 years respectively. The “Premium Data Package” a subscribe-based paid data service provides the historical index level data from the inception (since end of 1979) and dividend data for the constituents and the compiled dividend data, all of which are used for the index calculation.

9. Are there any financial products linked to the Nikkei 225 Total Return?

Not at this time. Because passive managers who hold mutual funds or ETFs linked to the Nikkei 225 invest in sufficient number of constituent stocks of the Nikkei 225, they receive dividend incomes from the stocks. On the other hand, the Nikkei 225 is a price return index excluding the dividends. Therefore, there is some difference of the performances between the Total Return Index and the Nikkei 225 price index. In such case, using the Nikkei 225 Total Return instead of the price index could lead to more accurate performance evaluation.