

《Press Release》

March 18, 2010

Nikkei To Launch Dividend Index on Nikkei Stock Average

Nikkei Inc. will launch the Nikkei Stock Average Dividend Point Index (DP) in April, which accumulates the dividends from the constituents of the Nikkei Stock Average (Nikkei Average).

Nikkei Stock Average DP is an index that accumulates dividends received from the companies when investors are supposed to hold the constituents of the Nikkei Average corresponding to its formula for a calendar year. The index is calculated by substituting the each actual dividends per shares into the formula of the Nikkei average (in place of the share prices), and accumulating the value since the beginning of the year.

Under current economic environment, it becomes more crucial for market participants who trade the Nikkei average linked products to hedge the dividend fluctuation risk. Nikkei has been requested to calculate and publish the dividend index to hedge such dividend risk. The launch of the Nikkei Stock Average DP is aimed at meeting such needs.

In Europe and the United States, dividend indices on major stock indices have already been calculated and published. The related trading activities in the listed futures contracts as well as the OTC swaps have increased recently. Like in Europe and the US, Nikkei expects the Nikkei Stock Average DP would be used as a device for trading risks inherent in the stock markets etc.

Contact : Index Business Office, Nikkei Inc.

(TEL +813-6256-7341, mail: index@nex.nikkei.co.jp)

Description of Nikkei Stock Average DP

§ Name of the index

Nikkei Stock Average Dividend Point Index (year)
Abbrev) Nikkei Stock Average DP (year)
e.g. Nikkei Stock Average DP (2010)

§ Basic concept of the index calculation

Nikkei Stock Average DP is an index that accumulates dividends received from the companies when investors are supposed to hold the constituents of the Nikkei Stock Average (Nikkei Average) corresponding to its formula for a calendar year. The index is calculated by substituting the each actual dividends per shares into the formula of the Nikkei average (in place of the share prices) when the dividends are fixed, and accumulating the value since the beginning of the year. The indices for each year are calculated

§ The index calculated for each year

Nikkei Stock Average DP (2010), which commences its calculation since April 2010, is based on the dividends which investors have the right to receive from the companies when they are supposed to hold the constituents of the Nikkei Average from January 2010 to December 2010.

The index value is accumulated every time the dividend payments of the constituents are fixed, and it continues to increase until March 2011 when all of the dividend payments by the constituents are fixed (on the next business day after the shareholder meetings are held by the companies with the fiscal year ending in the previous December, and the dividend payments are formally determined at the meeting). The final value of the index for 2010 plans to be published on April 1, 2011.

The index for each year starts to be calculated on the second business day theoretically. However based on the current constituents, the figures continue to be zero until a day in April when the interim dividend corresponding to the second-quarter (December to February) result by a company with the fiscal year ending in August.

In sum, the Nikkei Stock Average DP corresponding to a year starts from zero, accumulates its value whenever the dividends of the each constituents are fixed, and settles its final price after the all of the dividends of the constituents are fixed in March of the subsequent year

Ahead of the publication of the Nikkei Stock Average (2010), Nikkei will publish the final price of the Nikkei Stock Average (2009) for

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reference on April 1, 2010.

§ Examples of the index calculation (to get the idea)

- On August 31, *Nikkei Stock Average DP (yyyy)* is 70.00
- On September 1, the year-end dividend of Share X (its presumed value of 50 yen) is fixed as 20 yen (corresponding to its fiscal year ending in May, and the regular shareholder meeting is held on August 31). The divisor of the share X on the ex-dividend date (when the right to receive its corresponding dividend is fixed) is 25.

$$\text{Increased value on September 1} = 20 \text{ (yen)} / 25 \text{ (divisor)} = 0.80$$

$$\text{Nikkei Stock Average DP on September 1} = 70 + 0.80 = 70.80$$

- On September 10, the interim-dividend of Share Y (its presumed value of 50000 yen) is fixed as 10000 yen (which close its second-quarter accounting in July). The divisor of the share Y on the ex-dividend date is 25.

$$\text{Increased value on September 10}$$

$$= 10000 \text{ (yen)} \times (50 / 50000) / 25 \text{ (divisor)} = 0.40$$

$$\text{Nikkei Stock Average DP on September 10} = 70.80 + 0.40 = 71.20$$

(Note) As the above examples are to get the idea of the daily index calculation, actually it is calculated by accumulating the fixed dividends for days between the beginning of the year and the calculation date (instead of adding a day's increased value on the previous day's index value. Also the example assumes there are not any other dividend movements from August 31 to September 9 and the example figures are fictitious.

§ Start in advance in Europe and the US

In Europe and the United States, the dividend indices on the major stock indices have been calculated and published. For instance, the dividend index on Euro STOXX 50 began to be published in June 2008. The dividend swap (OTC products) and the dividend index futures (listed on EUREX) on the STOXX 50 are actively traded.

In 2009, the dividend indices on FTSE 100 in UK and S&P 500 in the US etc began to be published, and the derivative products such as its index futures have been listed later on. Dividend indices gain more and more attention globally.

§ Retroaction for the past

Nikkei plans to calculate the Nikkei Stock Average DP for the past year retroactively. Firstly the indices for the each year between 2004 and 2009 will be provided.

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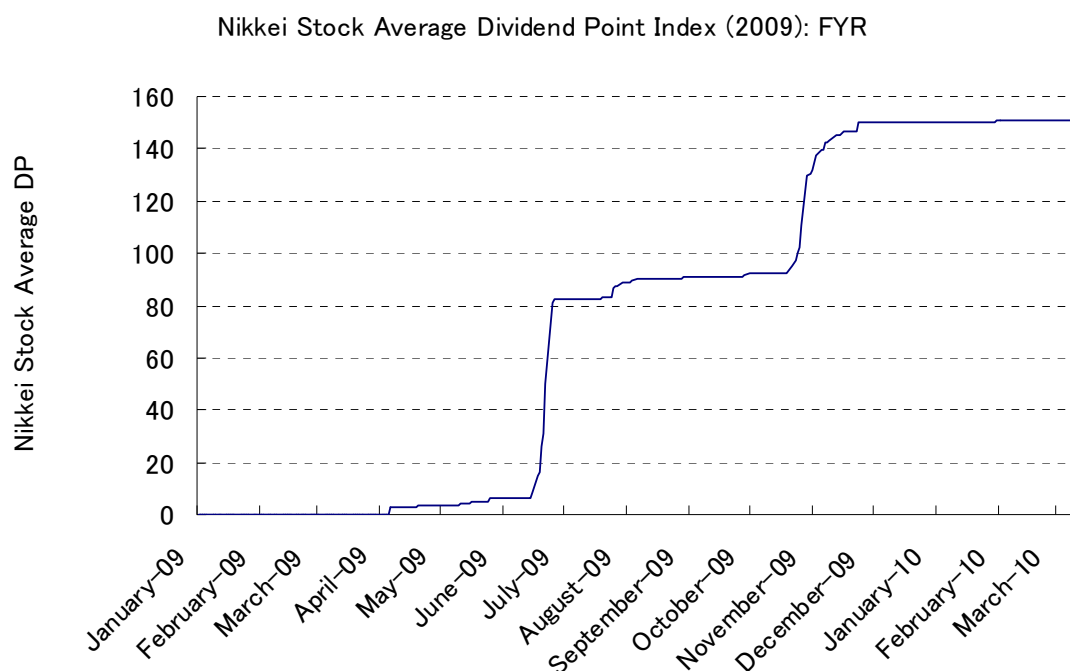
§ Where to publish

The Nikkei Stock Average DP will be published on the Nikkei's media such as Nikkei.com, Nikkei English web site, Nikkei Average Profile in Japanese and so on,

Also Nikkei Digital Media is considering to provide a data service including the historical index data and the data related to dividends of the individual stocks and so on through NEEDS, the economic database services provided by Nikkei Digital Media

§ Movement of the Nikkei Stock Average DP (2009)

The price on March 18 is 151.15. Please see a graph below to describe the movement. The final price will be published after the dividends are fixed at the shareholder meetings in late March by companies with the annual accounting month of December.



Contact

Inquiries on Nikkei Stock Average DP

Index Business Office, Nikkei Inc.

Tel: +813-6256-7341, mail: index@nex.nikkei.co.jp

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