

Nikkei 225 in October

As of the end of October, the Nikkei Stock Average (Nikkei 225) stood at 8928.29, up 58.13 points, or 0.66%, from the end of September. In the first part of month, the index fell to around the 8500 level due to concern over China-related risk etc. Afterwards the index continued to rise for 7 consecutive days from Oct 15 up to above 9000 for the first time in a month, in positive response to weakening yen and expectation of BOJ's further monetary easing. Nikkei 225 was down to around 8900 due to profit taking selling later.

This month's Topic : Nikkei Stock Average (Nikkei 225)

SONY to UNIQLO, tracing changes in leading companies

In 1950, the Nikkei Stock Average, Nikkei 225 was first calculated and published. Since then, as the flagship index comprising of representative Japanese stocks, the Nikkei 225 has been used worldwide for media and market participants in varied ways. Analyzing the historical changes in its constituents and sectors shows clearly which companies have led the economy and stock market in Japan since the Second World War.

Constituent reshuffles reflect industrial structure changes

The Nikkei 225 is a price-weighted equity index, which consists of 225 stocks in the 1st section of the Tokyo Stock Exchange. The components have been reviewed regularly based on liquidity and sector balance for the purpose of reflecting changes in industrial structures appropriately while replacing with high liquidity stocks.

To know more the Nikkei 225, please [visit here](#).

The changes in leading sectors partly clarify the reflection. For instance, 22 stocks belonged to textile sector in 1950, the inception year, but the current figure is only 5 while the number of the stocks of Electric Machinery was increased from 12 to 29 for the same period.

Furthermore tracing the biggest contributors to fluctuations in prices of the Nikkei 225, in other words, comparing historically which stocks had or have the highest price weights in the index would clarify the changes in leading players in companies and stock market of

Japan.(The period was from end of 1977, available for the data)

High ranked companies growing by maverick strategies

Of the current members, FAST RETAILING (9983), known for a casual fashion brand “UNIQLO” is in the most influential position in the Nikkei 225. The price weight was 8.0%, the largest figure at the end of October 2012. The company has been accelerating expansion of its overseas branch shops, and the net profit in the accounting period closing in August 2013 is expected to reach a record-high.

FAST RETAILING became a member in the index in August 2005 and has maintained the lead in price weight rankings almost constantly since July 2008. Although its market capitalization is not large as those of big automakers or major bank groups, it would be possible to state the Nikkei 225 describes the vividly growing strength of the new leader whose stock price remains near a historical high.

Table1:Weight top 10, as of end of October 2012

Rnk	Code	Name
1	9983	FAST RETAILING (8.0)
2	6954	FANUC (5.7)
3	9984	SOFTBANK (3.4)
4	6971	KYOCERA (3.1)
5	9433	KDDI (2.8)
6	7267	HONDA MOTOR (2.1)
7	4063	SHIN-ETSU CHEMICAL (2.0)
8	9735	SECOM (1.8)
9	4503	ASTELLAS PHARMA (1.8)
10	7751	CANON (1.7)

Note) Price weights in brackets (unit; %)

Following FAST RETAILING with the highest weight, an industrial robot company, FANUC (6954) ranked the second with 5.7%. SOFTBANK (9984), a major mobile phone operator and an electronic component maker, KYOCERA (6971) were in the third and fourth places with 3.4% and 3.1% respectively.

The high ranked companies seem to be growing and developing by using the maverick strategies through expansions of businesses in emerging countries and M&A. Also the results represent historical replacements of leading characters in the Japanese stock market against a backdrop of deterioration in the financial performances of major consumer electronics makers due to fierce competitions with Korean rivals and so on.

SONY keeps the top until the 1990s

Looking at the history from the Nikkei 225 makes it possible to understand the economy of Japan has continued to expand along with changes in leading players. After the 1950s when textile sector used to be the leader, Japanese high-tech industries led the way around the

world.

In the 1970s, SONY (6758) became the top in the price weight ranking, afterwards big banks and security brokers dominated the high-rankings in the 1980s when people danced in the bubble economy with an unprecedented rise in land prices. At the end of 1989 when the Nikkei 225 reached its record-high level at 38915.87, following SONY as the top, large department stores were highly ranked as their stock prices surged with their own lands in inner-city areas.

In 1990, the Nikkei 225 turned into the downward trend, it declined to 7054.98 in March 2009, which was the lowest level since the economic bubble burst, following global financial crisis in 2008. In the meantime, structural changes proceeded in that outside investors trade more than half of stocks listed on Japanese markets while local investors have not traded as they used to do.

Table2:Names of weight top 10 as of ends of 1979, 1999 and 2009

Rnk	1979.Dec	1999.Dec	2009.Dec
1	SONY	SONY	FAST RETAILING
2	NIPPON OIL	NTT DATA	FANUC
3	MARUZEN	TAKEDA CHEMICAL INDUSTRIES	KYOCERA
4	TEIKOKU OIL	TOYOTA MOTOR	SOFTBANK
5	TOYOTA MOTOR	FUJITSU	HONDA MOTOR
6	CHIYODA CHEMICAL ENG&CONST	SHIN-ETSU CHEMICAL	TOKYO ELECTRON
7	TOA NENRYO KOGYO	CANON	CANON
8	NIPPON GAKKI SEIZO	HONDA MOTOR	TDK
9	MITSUBISHI SHOJI	FUJI PHOTO FILM	TERUMO
10	NISSAN MOTOR	YAMANOUCHI PHARMACEUTICAL	SHIN-ETSU CHEMICAL

Note)Company names at the times

However stocks attracting overseas investors by their prominent performances have appeared continuously in the background of the Japanese industrial arena with a very broad base. For the last period of the 1990s, the index was buoyed by not only global blue chips like SONY and TOYOYA (7203) but also communications companies due to the information technology boom worldwide spreading together with the diffusion of the Internet.

In 2000, SONY fell from first place, a position it had occupied for decades. Then FAST RETAILING and FUNAC led Japanese stock markets after period of the global financial crisis by attracting foreign investments, which has been getting the stock market through the worst time.

The stalled economic situations of emerging countries as well as Europe have blown more strongly against Japanese economy. Nevertheless, it is expected that the Nikkei 225 will increase its presence worldwide by reflecting changes in companies growing with their original and maverick strategies and changes in industrial structures into the index swiftly.

To learn more about the Nikkei 225, please [visit here](#).

Performance Summary of October 2012

○Nikkei 225 and its derived indices

(Data as of end of October)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	8928.29	0.66%	0.00%	1.07%	10255.15	27-Mar	8295.63	4-Jun
Nikkei 225 VI (Volatility)	19.01	6.38%	0.04%	5.24%	30.93	4-Jun	17.15	5-Oct
Nikkei 225 Covered Call	8846.51	0.26%	0.00%	0.99%	9993.99	27-Mar	8166.45	4-Jun
Nikkei 225 Risk Control	11199.32	0.50%	0.01%	0.65%	12255.86	27-Mar	10711.47	25-Jul
Nikkei 225 Leveraged	3743.30	1.11%	0.01%	2.13%	5023.30	27-Mar	3266.86	4-Jun
Nikkei 225 Inverse	6223.98	-0.86%	0.00%	1.07%	6773.84	16-Jan	5511.00	27-Mar

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 Dividend Point	136.95	4.58%	160.76	2008	57.07	2002

○Benchmark and other indices

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 300	150.26	0.28%	-0.01%	1.03%	176.27	27-Mar	141.08	4-Jun
Nikkei China Related 50	810.19	1.79%	-0.02%	1.31%	1024.28	27-Mar	768.10	11-Oct
Nikkei 500 Average	785.41	0.40%	0.01%	0.88%	863.79	27-Mar	721.87	4-Jun
Nikkei Japan 1000	873.25	0.72%	-0.01%	1.02%	1025.25	27-Mar	818.37	4-Jun
Nikkei JASDAQ Average	1344.49	2.19%	0.05%	0.52%	1402.75	2-May	1185.44	12-Jan

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

"Change" in the Nikkei 225 Dividend Point Index indicates a comparison with the value at the end of October 2011.

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

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