

Nikkei 225 in May

As of the end of May, the Nikkei Stock Average (Nikkei 225) stood at 13774.54 down 86.32 points, or 0.6%, from the end of April. Expectations for the economy boosting measures being promoted by the government pushed the Nikkei 225 to 15627.26 on 22nd, the highest level since December 2007. But the index plummeted by 7.3% on 23rd due to concern about Chinese economy and negative impact on strong Yen. Sell-off regarding margin calls pushed down the Nikkei 225 below 14000 on 30th.

This month's Topic : Nikkei' ROE increases to 8.7%, halfway to firm recovery

Japanese companies' performance has steadily recovered while the Nikkei 225 has recently become volatile. A result of compiling the Nikkei 225 constituent companies' data shows the ordinary and net profits expect to expand by 23.3% and 45.4% respectively based on the data closing accounting months up to March 2014. Concurrently the expected return on equity (ROE) based on the constituent companies will increase to 8.7% in the same fiscal year of 2013.

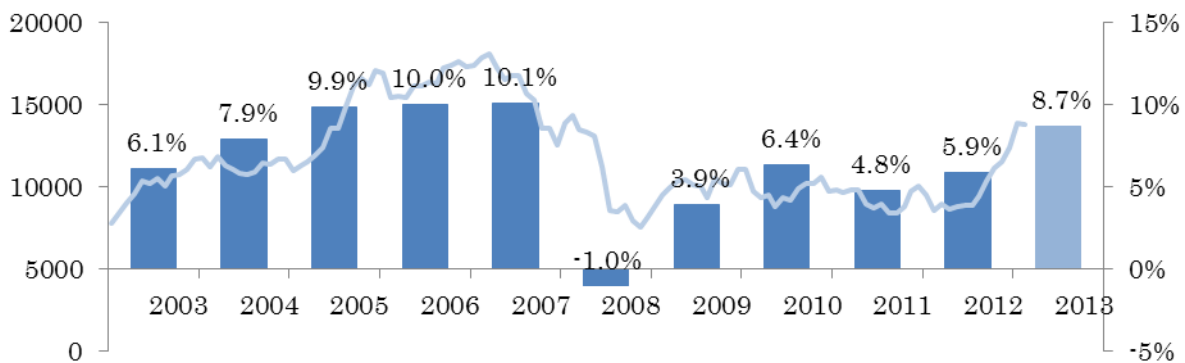


Figure1: Nikkei 225 and ROE on Nikkei 225 components

Nikkei ROE =sum of net profit / sum of equity capital on Nikkei 225 constituent data, net profit in 2013 is based on Nikkei reporters' projections. Horizontal axis = fiscal year. Line graph = Nikkei 225 (left axis)

According to a ranking of expected ROE in the fiscal year 2013 on component companies, Softbank(9984) became the top (30.0%), Fast Retailing (9983) ranked the second (23.7%), followed by Hino Motors (7205, 4th, 22.7%), Matsui Securities (8268, 5th, 22.3%) and Isuzu Motors (7202, 7th, 21.7%) helped by yen depreciation and buoyant stock market.

However the averaged ROE has not reached the latest peak level of 10% recorded before the global financial crisis in 2008. The gap is mainly because there are much less companies with

high ROE comparing those in those days. For instance, the number of companies with ROE of 15% or higher is still around 20 in this fiscal year although the number was around 50 in the fiscal year of 2007. The Nikkei 225 levels seem to correlate with the ROE levels historically (figure 1).

There are companies with stably high ROE in the components (see figure 2). The ROEs exceed almost 15% considering the one sigma (standard deviation) and the averaged ROE on the data from 2007. To predict whether or not the sustainable stock market appreciation continues, it would be remarkable if such high ROE companies increase in the future.

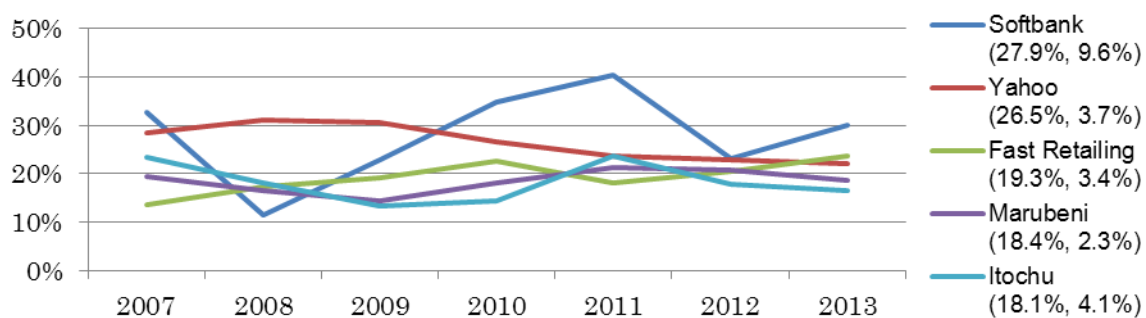


Figure 2: ROE of 5 stocks with the stably high levels

Horizontal axis = fiscal years. Profits of ROEs in 2013 are based on Nikkei reporters' predictions. Figures in brackets shows average and standard deviation of each ROE on the data between 2007 and 2013.

Performance Summary of May 2013

○Nikkei 225 and its derived indices

(Data as of end of May)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	13774.54	-0.62%	0.20%	1.39%	15627.26	22-May	10486.99	23-Jan
Nikkei 225 TR	19759.50	-0.62%	0.21%	1.38%	22417.23	22-May	14924.17	23-Jan
Nikkei 225 VI (Volatility)	36.60	44.95%	0.30%	6.07%	43.74	23-May	19.06	8-Jan
Nikkei 225 VI Futures	95542.97	29.90%	0.02%	3.10%	99279.29	30-May	47519.52	23-Jan
Nikkei 225 Covered Call	12357.34	-1.02%	0.16%	1.09%	13319.05	22-May	9865.49	23-Jan
Nikkei 225 Risk Control	14827.46	0.70%	0.13%	0.81%	15659.93	22-May	12624.71	8-Jan
Nikkei 225 Leveraged	8582.47	-2.62%	0.41%	2.77%	11165.32	22-May	5125.79	23-Jan
Nikkei 225 Inverse	3888.18	-0.67%	-0.20%	1.39%	5261.18	8-Jan	3459.80	22-May

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	9.24	6.33%	9.24	2013	2.05	2000

○Benchmark and other indices

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 300	230.59	-2.24%	0.20%	1.30%	259.66	22-May	176.73	8-Jan
Nikkei China Related 50	1263.88	2.03%	0.18%	1.52%	1423.34	22-May	981.20	8-Jan
Nikkei 500 Average	1151.14	-2.85%	0.19%	1.14%	1276.55	22-May	881.67	8-Jan
Nikkei Japan 1000	1336.97	-2.33%	0.19%	1.29%	1502.78	22-May	1023.90	8-Jan
Nikkei JASDAQ Average	1958.06	-2.09%	0.17%	0.84%	2140.59	14-May	1435.89	4-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 (Nikkei 225 DP) indicates a comparison with the value at the end of May 2012.

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

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