

Nikkei 225 in November

As of the end of November, the Nikkei Stock Average (Nikkei 225) stood at 15661.87 up 1333.93 points, or 9.3%, from the end of October. The bullish sentiment followed the Dow Jones industrial average reaching all-time high and money inflows from overseas funds pushed up the Nikkei to 15727.12 on 28th, its highest level since Dec.2007. The Yen's depreciation also helped major exporter stocks advance towards end of the month..

This month's Topic : JPX-Nikkei 400 shows nicer performances on estimated data

Nikkei Inc. has jointly developed a new index, "JPX-Nikkei Index 400" (abbrev "JPX-Nikkei 400") with Japan Exchange Group, Inc. and Tokyo Stock Exchange, Inc., and announced the details, the constituents, the selection rule, and the calculation method etc. on November 6<sup>th</sup> 2013. The new index will start to be calculated and published on January 6th 2014.

One of the greatest characteristics of the index is to refer to financial indicators to select the components. After choosing 1000 stocks based on trading values and market capitalizations from issues listed on the Tokyo Stock Exchange, scores based on the ranking of each of 3 indicators, returns on equities (ROE), operating profits as well as market capitalizations are used to screen the component candidates.

As the financial indicators are compiled from the past 3 year data, companies with higher capital efficiencies in the past are supposed to be selected as the constituents. So, how about their performances would be based on the estimated data in the future? Comparing the JPX-Nikkei 400 members (400) with Tokyo Stock Exchange (TSE) 1<sup>st</sup> Section listed issues (1760), TSE listed issued but non-index components (2984), and TSE listed issues (3384) has represented that the new index constituent companies still show better performances on the estimated data in the future.(figures in parentheses shows the number of issues in each group)

**Table : Comparison of performances on the estimated data**

Financial indicators	JPX-Nikkei 400	TSE 1st	TSE ex index	TSE
Increases in sales	<b>90.3%</b>	84.4%	82.1%	83.1%
Increases in profits (opr)	<b>81.0%</b>	72.3%	64.5%	66.4%
Increases in profits (net)	<b>74.3%</b>	63.4%	55.7%	57.9%
ROE, 10% or higher	<b>48.0%</b>	27.8%	25.9%	28.5%
ROE, 15% or higher	<b>18.0%</b>	11.1%	12.4%	13.0%
Dividend payments	<b>98.8%</b>	91.9%	82.7%	84.6%
Increases in dividends	<b>49.0%</b>	32.4%	23.2%	26.3%

Note: The figures indicate the ratio of the number of companies fitting into the conditions to the number in each group. Accounting periods for the estimated values are from October 2013 onwards, and the values are projected by Nikkei. Profits (opr) means "operating profits".

The above table describes the ratios of companies with nice performances in the each group. Although the ratios of companies with estimated increases in sales and profits were relatively high, the new index's ratio was higher, e.g. 90% companies showed estimated increases in sales.

ROE, a financial indicator used for the component selections, the superiority of the index members stood out even if the ROEs were computed on estimated net profits (divided by equities in the last accounting period). For instance, ratios of companies with 10% and 15% or higher ROEs in the index were 48.0% and 18.0%, much greater than those in the other group.

It is also noticeable that ratios of companies with increases in estimated dividends were much higher than those in other groups. For instance, around 50% of the 400 components are estimated to increase the dividends per share. It would be possible to state that the constituent companies have a characteristic that they seek aggressive returns to shareholders as well as greater capital efficiency.

The number of components is just 11.8 % of that of TSE listed issues. However, the shares of market capitalization (end of November 2013) and trading values (December 2012 to November 2013) for the new index reach 74.7% and 60.5% in those of TSE listed issues, which would indicate the 400 issues of the new index hold the representativeness of Japanese equity markets

To know more about Nikkei-JPX Index 400, please [visit here](#).

#### Performance Summary of November 2013

○Nikkei 225 and its derived indices

(Data as of end of November)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	15661.87	9.31%	0.22%	1.69%	15727.12	28-Nov	10486.99	23-Jan
Nikkei 225 TR	22639.77	9.32%	0.23%	1.69%	22734.09	28-Nov	14924.17	23-Jan
Nikkei 225 VI (Volatility)	22.96	7.64%	0.28%	6.06%	46.19	13-Jun	19.06	8-Jan
Nikkei 225 VI Futures	93379.00	5.16%	0.31%	3.20%	128730.71	4-Sep	47519.52	23-Jan
Nikkei 225 Covered Call	13166.62	4.42%	0.15%	1.35%	13319.05	22-May	9865.49	23-Jan
Nikkei 225 Risk Control	15914.46	5.64%	0.13%	0.82%	15954.84	28-Nov	12624.71	8-Jan
Nikkei 225 Leveraged	10700.85	19.16%	0.44%	3.38%	11165.32	22-May	5125.79	23-Jan
Nikkei 225 Inverse	3299.29	-8.77%	-0.22%	1.69%	5261.18	8-Jan	3285.66	28-Nov

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	208.81	8.33%	208.81	2013	81.35	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	256.92	5.95%	0.21%	1.52%	259.66	22-May	176.73	8-Jan
Nikkei China Related 50	1355.74	6.89%	0.19%	1.59%	1423.34	22-May	981.20	8-Jan
Nikkei 500 Average	1307.67	5.51%	0.20%	1.42%	1307.88	28-Nov	881.67	8-Jan
Nikkei Japan 1000	1485.22	5.68%	0.21%	1.51%	1502.78	22-May	1023.90	8-Jan
Nikkei JASDAQ Average	1975.20	2.25%	0.16%	1.13%	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 November 2012.

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

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