

Nikkei 225 in January

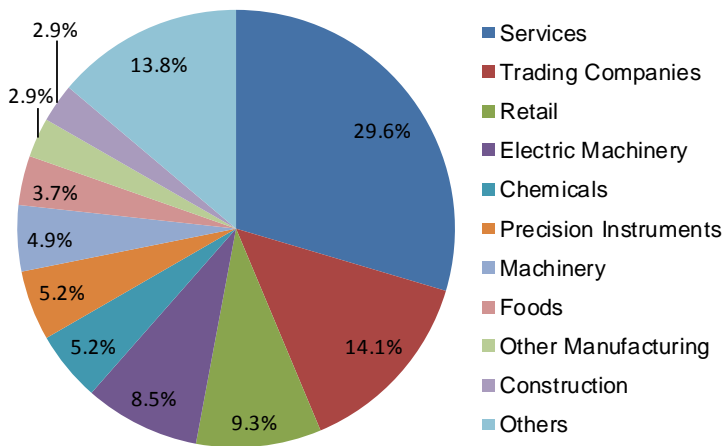
As of the end of January, the Nikkei Stock Average (Nikkei 225) stood at 14914.53 down 1376.78 points, or 8.5%, from the end of December 2013, its lowest level since 14th November. Yen’s appreciation and concerns about emerging economy unrest triggered selling on the Tokyo market. The US Federal Reserve’s decision on 29th to cut monetary stimulus helped to deteriorate market sentiment.

This month’s Topic : Steadier JASDAQ Ave reflects interests in domestic demand stocks?

The Nikkei JASDAQ Stock Average rose by 2.4% in January while the Nikkei 225 plunged from the beginning of 2014. Does the relative steadiness of the Nikkei JASDAQ Average consisting of all domestic common stocks in the JASDAQ of the Tokyo Stock Exchange, excluding Bank of Japan, ETFs etc. indicate that investors’ interest might shift to domestic demand-related stocks?

The constituent weights show the characteristic of the index (See Figure1). Many constituent companies are based in Japan with the original business models since the JASDAQ started as a market to cultivate venture companies in Japan. Based on the Nikkei 36 industrial classification, the weights of Service and Retail, typical domestic demand related industries, are relatively high,

Figure 1: Top 10 Nikkei Industry Classification by Weight



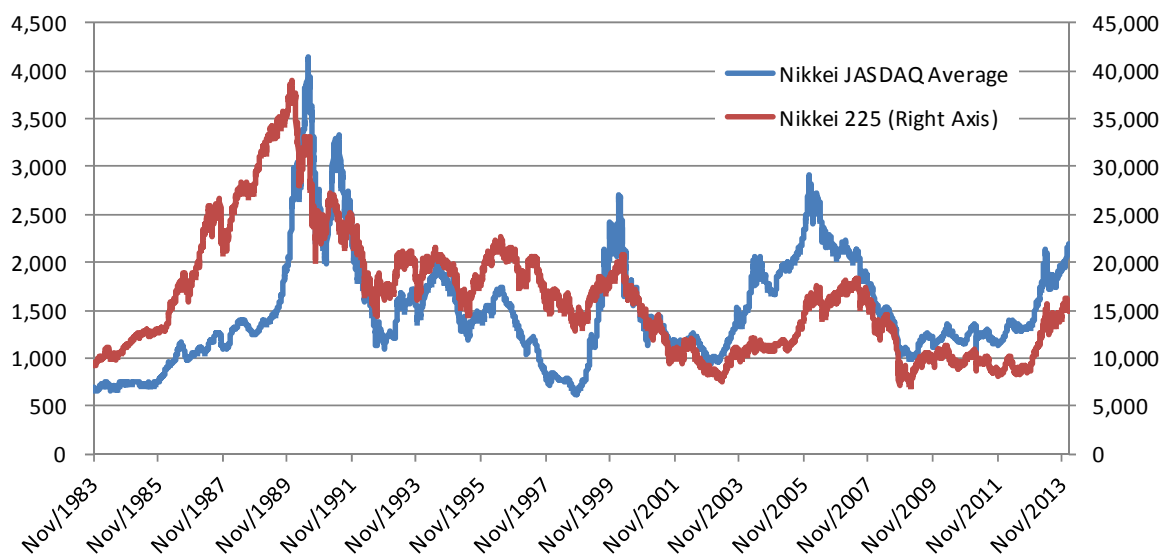
29.6% and 9.3% respectively in the JASDAQ Average, at the end of January. On the other hand, in the Nikkei 225, Electric Machinery, typical exporter, shows the largest weight of 17.5% in January. Compiling a ranking of the monthly return of the JASDAQ components (Market Cap over JPY 20 Billions) in the month, 7 of the top 20 issues were Service Industry stocks. For example, F@N Communications, Inc.(2461), increasing its share

price more than 30%, one of the largest performance-based ad agencies has been prosperous with its Internet related business. The background that investors are interested in the JASDAQ market might be related to the fact that the data to suggest the recovery in consumer spending has recently appeared. e.g. increase in sales of department stores in 2013..

Figure 2 shows a comparison of the Nikkei JASADAQ Average with the Nikkei 225 since 1983, its inception. The Nikkei JASDAQ Average tends to be more volatile as it consists of stocks with

smaller issued shares. It was July 1990 when it reached the historical high, seven months after the Nikkei 225 touched the peak, end of December 1989. During late 1990s overheating in a boom in venture stocks including the Internet related stocks, the Nikkei JASDAQ Average surged and plummeted ahead of the Nikkei 225. It might be useful to compare the 2 indices with long histories to get a whole picture of the stock market and money flows in Japanese markets.

Figure 2: Comparison of Nikkei JASDAQ Average with Nikkei 225



Performance Summary of January 2014

○Nikkei 225 and its derived indices (Data as of end of January)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	14914.53	-8.45%	0.13%	1.71%	16121.45	8-Jan	14914.53	31-Jan
Nikkei 225 TR	21582.43	-8.44%	0.14%	1.71%	23327.25	8-Jan	21582.43	31-Jan
Nikkei 225 VI (Volatility)	29.11	27.45%	0.25%	6.05%	29.11	31-Jan	21.40	23-Jan
Nikkei 225 VI Futures	90401.47	1.02%	0.26%	3.06%	90513.59	6-Jan	78178.22	23-Jan
Nikkei 225 Covered Call	13146.92	-6.09%	0.11%	1.38%	14030.41	8-Jan	13146.92	31-Jan
Nikkei 225 Risk Control	15480.86	-4.76%	0.07%	0.81%	16161.58	8-Jan	15480.86	31-Jan
Nikkei 225 Leveraged	9624.83	-16.64%	0.27%	3.41%	11295.91	8-Jan	9624.83	31-Jan
Nikkei 225 Inverse	3436.60	8.65%	-0.13%	1.71%	3436.60	31-Jan	3193.30	8-Jan

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	208.81	8.10%	208.81	2013	81.59	2002

○Benchmark and other indices

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
JPX-Nikkei Index 400	11034.66	-6.23%	0.11%	1.50%	11800.26	8-Jan	11034.66	31-Jan
Nikkei 300	247.72	-6.74%	0.12%	1.53%	265.90	8-Jan	247.72	31-Jan
Nikkei China Related 50	1306.09	-6.28%	0.10%	1.57%	1399.88	8-Jan	1306.09	31-Jan
Nikkei 500 Average	1272.32	-5.46%	0.13%	1.45%	1348.15	8-Jan	1271.33	28-Jan
Nikkei Japan 1000	1440.67	-6.28%	0.12%	1.52%	1541.51	8-Jan	1440.67	31-Jan
Nikkei JASDAQ Average	2102.66	2.40%	0.12%	1.17%	2187.50	22-Jan	2077.27	6-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 January 2013.

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

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