

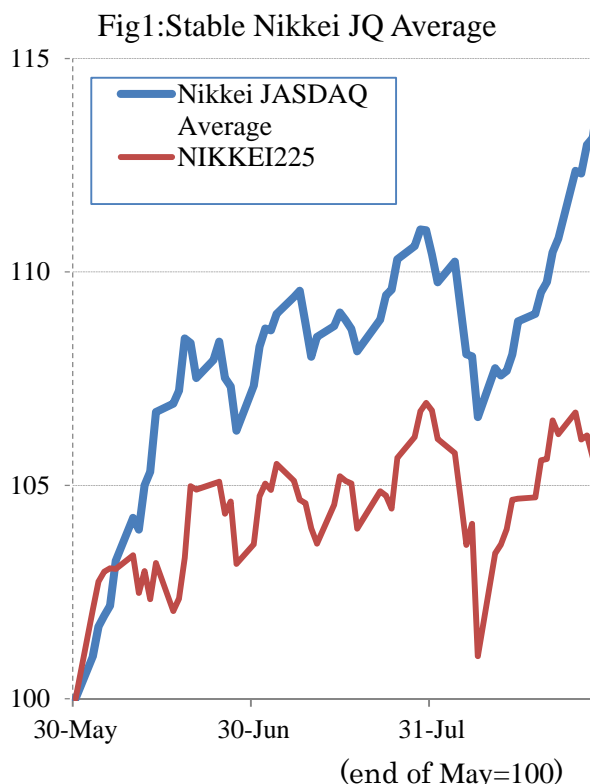
## Nikkei 225 in August

As of the end of August, the Nikkei Stock Average (Nikkei 225) stood at 15424.59 down 196.18 points, or 1.26%, from the end of July. The US's air strike against Iraq etc. led to tense international situation and made investors more risk-averse. Although, from 11th to 21st, the index recorded its nine day consecutive rise for the first time since December 2013, it was not sufficiently recovered. Daily averaged trading value in the month did not exceed 2 trillion yen for five months in a row.

### This month's Topic : Nikkei JASDAQ Average, highest level in 8 years

The Nikkei JASDAQ Stock Average has been recently buoyed. It closed at 2292.08, above its year high, the highest level for the first time in about 8 years. Due to increased geopolitical risk, foreign investors have been reluctant to invest in equities especially major stocks listed on the Tokyo Stock Exchange (TSE) 1st section. On the other hand, individual investors have paid more attention to stocks listed on emerging markets such as JASDAQ market because it has relatively more domestic demand stocks owned by less foreign investors which has been less affected by factors outside Japan.

Figure 1 shows a comparison of the Nikkei JASDAQ Average with the Nikkei 225 (100 points as of end of May 2014). Since middle of June, the Nikkei JASDAQ Average has represented better performance especially in August. The index rose 14.1% for the 3 months, much greater than 5.4% of the Nikkei 225's return for the same period.



The strength seems to be supported by aggressive purchases of individual investors. According to a weekly statistics compiled by the TSE, individual investors were buying more the JASDAQ stocks than they were selling for ten weeks in a row. Adversely, they were selling more stocks on the TSE 1st section than they were buying in August, which indicates that individual investors have shifted their money from major stocks to those on emerging markets.

A market participant familiar with emerging markets explained, "individual investors could easily find other targets for their investments for short term based on good news on the game and biotechnology

industries even if they could not gain continuous expected returns of some stocks they had invested. Such activities seem to have buoyed the Nikkei JASDAQ Average.

The above market participant pointed out, "this rally is noticeable in that investors are more interested in stocks which have shown better financial performances with higher return on equity (ROE) for example, which had not seen frequently in the rally of emerging stocks in the past. For instance, Escrow Agent Japan, Inc. (6093), which

recorded the top price return of all of the JASDAQ listed stocks in August, has produced around 20% of ROE and 25% of profit margin, pre-tax profit on sales. ROEs of Precision System Science Co., Ltd.(7707) and Aisan Technology Co., Ltd.(4667), which were the second and third price returns, exceeded 10 %.

However, it is necessary to monitor the continuity of the rally because the price-earnings ratio (PER) of JASDAQ market was 16.22, higher than those of TSE 1st section and Nikkei 225 constituents.

**Table 1: Rise rate ranking of JASDAQ in August**

rank	Security Name	rise rate (%)
1	Escrow Agent Japan, Inc.	193.2
2	Precision System Science Co., Ltd.	109.8
3	Aisan Technology Co., Ltd.	94.9
4	Techfirm Inc	92.5
5	Media Global Links Co., Ltd	85.7
6	All About, Inc.	84.4
7	Dawn Corp.	72.9
8	Yokota Manufacturing Co., Ltd.	68.5
9	Eta Electric Industry Co., Ltd.	64.2
10	Imageone Co., Ltd.	62.3
11	Scinex Corp.	59.3
12	Asahi Rubber Inc.	58.5
13	Atect Corp.	53.1
14	Koken Boring Machine Co., Ltd.	51.1
15	Bemap, Inc.	48.5

**Performance Summary of August 2014**

○Nikkei 225 and its derived indices

(Data as of end of August)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	15424.59	-1.26%	0.07%	1.23%	16121.45	8-Jan	13910.16	14-Apr
Nikkei 225 TR	22539.31	-1.20%	0.07%	1.24%	23327.25	8-Jan	20271.52	4-Feb
Nikkei 225 VI (Volatility)	15.94	-0.50%	-0.13%	4.89%	33.21	4-Feb	14.00	17-Jul
Nikkei 225 VI Futures	42901.64	-13.44%	-0.40%	2.12%	97741.36	4-Feb	42810.75	28-Aug
Nikkei 225 Covered Call	13963.46	-1.01%	0.08%	1.07%	14124.74	30-Jul	12348.19	4-Feb
Nikkei 225 Risk Control	15725.36	-2.26%	0.03%	0.69%	16161.58	8-Jan	14898.08	14-Apr
Nikkei 225 Leveraged	10093.47	-2.70%	0.13%	2.47%	11295.91	8-Jan	8275.01	14-Apr
Nikkei 225 Inverse	3258.69	1.07%	-0.07%	1.23%	3651.06	4-Feb	3193.30	8-Jan
Nikkei 225 Double Inverse	5063.34	1.94%	-0.13%	2.47%	6467.31	4-Feb	4942.65	25-Aug

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	134.06	14.96%	134.06	2014	48.97	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	11594.65	-1.19%	0.07%	1.08%	11800.26	8-Jan	10314.83	14-Apr
Nikkei 300	257.09	-1.50%	0.06%	1.09%	265.90	8-Jan	229.49	14-Apr
Nikkei China Related 50	1354.68	-1.45%	0.06%	1.10%	1399.88	8-Jan	1220.64	4-Feb
Nikkei 500 Average	1345.96	-1.02%	0.08%	1.08%	1364.78	25-Aug	1191.33	4-Feb
Nikkei Japan 1000	1506.24	-0.95%	0.07%	1.10%	1541.51	8-Jan	1335.72	14-Apr
Nikkei JASDAQ Average	2292.08	3.37%	0.11%	0.80%	2292.08	29-Aug	1890.85	19-May

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 August 2013.

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

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