

### Nikkei 225 in January

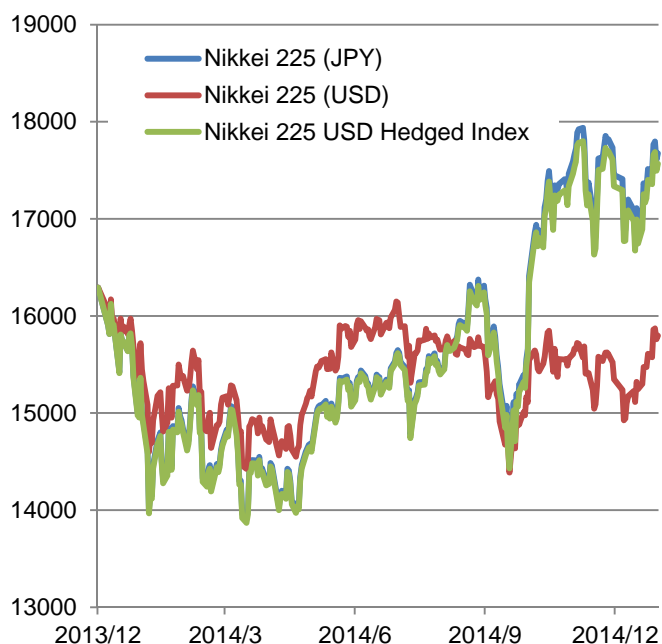
As of the end of January, the Nikkei Stock Average (Nikkei 225) stood at 17674.39 up 223.62 points or 1.28% from the end of December 2014. In the first half of the month, the index was sagging due to uncertainty over political situation of Greece. In the second half of the month, the index was rallied against backgrounds of European Central Bank, ECB's announcement of quantitative monetary easing policy and publications of Japanese listed companies producing the strong performances in the period of April to December 2014.

#### This month's Topic : Nikkei 225 Currency Hedged Indexes show the effectivity in the rally.

The Nikkei 225 Currency Hedged Indexes have been producing steady performance. The Nikkei 225 USD Hedged Index stood at 18807.23 points, up around 8% from the end of December 2013. The index is designed for a strategy for investors outside Japan to buy the Nikkei 225 constituents by hedging the foreign currency fluctuation risk by 100%. Therefore, the result is natural in the situation that the underlying Nikkei 225 climbed 8.5%. On the other hand, it would be possible to mention that the hedging strategy tracking the Nikkei 225 itself has worked effectively.

In 2014, the Nikkei 225 soared after end of October when Bank of Japan announced the additional monetary easing although the index had rarely been above the level at the end of 2013. However, the perspective for investors with the base currency of US dollar was completely different. The indicator computing on the Nikkei 225 in terms of US dollar based on the USD-Japanese yen exchange rates has not produced firm performance while the JPY depreciated against the USD. The level on January 30 was 149.92 USD, almost unchanged from end of 2013.

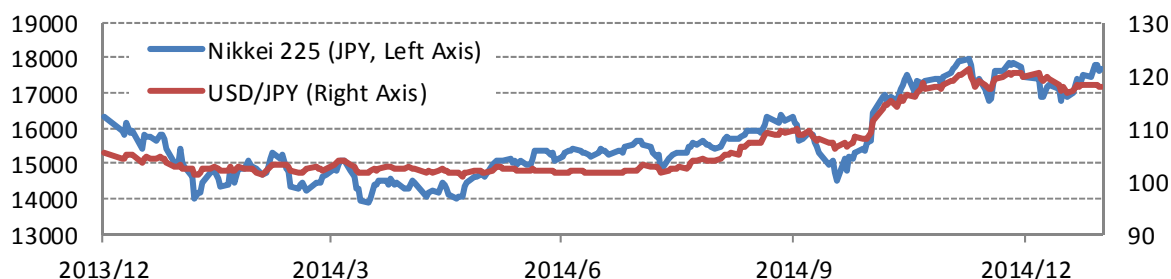
Figure1: Nikkei 225 in USD terms underperformed



The figure 1 is a chart of the three figures, the indicator (non-USD currency hedging, i.e. Nikkei 225 in USD), the Nikkei 225, and the Nikkei 225 USD Hedged Index, which represents the first indicator only moved differently. The graph implies the profit from investments in the Nikkei 225 was offset by the loss from the JPY depreciation.

It is noticeable that the recent trend represents that the Nikkei 225 climbs with the JPY depreciation while the index falls with the JPY appreciation. A market participant said that, due to recent slowdown of global economy, it would be difficult for exporters to increase

Figure 2 Higher correlation between the Nikkei 225 and foreign exchange rates



revenues by expanding amounts of sales. As a result, the currency rates affect the corporate performances more significantly. “In fact, as the JPY decrease itself could be the background of the Nikkei 225 increase, the relationship would remain unchanged”. He added.

In January 2015, the ETFs (Exchange Traded Fund) on the Nikkei 225 Currency Hedged Indexes were listed on an European market. Nikkei Inc. and JPX Group have published the JPX-Nikkei 400 Currency Hedged Index since January, and it is expected that ETFs on the new indexes would be launched in the future. Such currency hedged indexes would step up the presences in Japanese stock market as well.

**Performance Summary of January 2015**

(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	17674.39	1.28%	0.08%	1.25%	17795.73	28-Jan	16795.96	14-Jan
JPX-Nikkei Index 400	12830.17	0.48%	0.07%	1.16%	12969.74	28-Jan	12308.20	7-Jan
Nikkei 225 TR	26013.99	1.29%	0.08%	1.25%	26192.58	28-Jan	24719.38	14-Jan
Nikkei 225 VI (Volatility)	21.67	-17.79%	0.02%	5.49%	26.58	6-Jan	20.72	28-Jan
Nikkei 225 VI Futures	39609.94	-19.05%	-0.31%	2.46%	50080.55	6-Jan	38866.23	28-Jan
Nikkei 225 USD Hedged	18807.23	1.33%	0.08%	1.25%	18937.11	28-Jan	17851.30	14-Jan
Nikkei 225 EUR Hedged	16565.65	1.40%	0.08%	1.25%	16687.45	28-Jan	15690.33	14-Jan
Nikkei 225 Covered Call	15386.82	1.75%	0.07%	1.10%	15449.24	28-Jan	14648.80	14-Jan
Nikkei 225 Risk Control	16725.61	0.96%	0.03%	0.70%	16789.55	28-Jan	16255.58	14-Jan
Nikkei 225 Leveraged	13014.56	2.25%	0.15%	2.49%	13195.59	28-Jan	11771.84	14-Jan
Nikkei 225 Inverse	2792.01	-1.58%	-0.08%	1.25%	2942.85	14-Jan	2773.33	28-Jan
Nikkei 225 Double Inverse	3647.86	-3.43%	-0.15%	2.49%	4059.40	14-Jan	3599.66	28-Jan
Nikkei 300	286.11	0.58%	0.07%	1.16%	289.58	28-Jan	274.44	14-Jan
Nikkei China Related 50	1519.49	-0.74%	0.07%	1.18%	1550.73	27-Jan	1471.94	14-Jan
Nikkei 500 Average	1539.14	1.66%	0.08%	1.15%	1552.40	28-Jan	1464.27	7-Jan
Nikkei Japan 1000	1671.50	0.56%	0.07%	1.17%	1689.03	28-Jan	1603.46	14-Jan
Nikkei JASDAQ Average	2356.70	-0.31%	0.05%	0.79%	2377.94	8-Jan	2337.99	22-Jan

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP (2014)	240.53	15.19%	240.53	2014	81.59	2002

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 2014.

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

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