

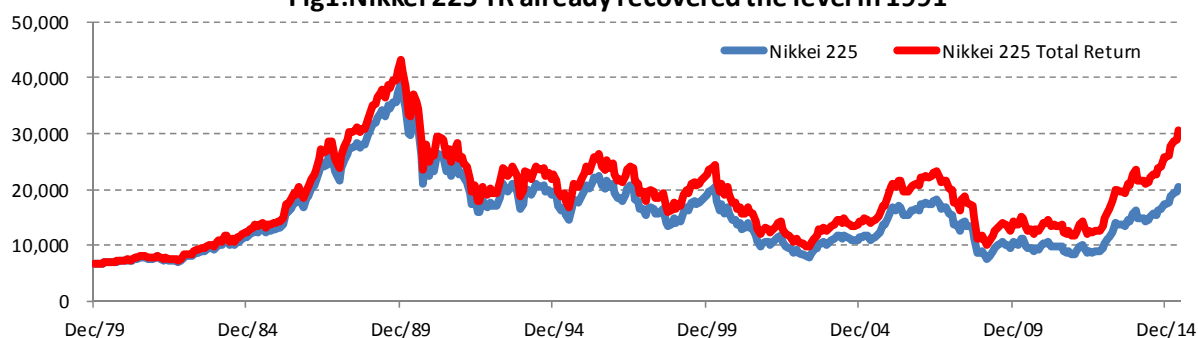
Nikkei 225 in May

As of the end of May, the Nikkei Stock Average (Nikkei 225) stood at 20563.15 up 1043.14 points or 5.34% from the end of April 2015, which rose for five months in a row. Against the backdrop of expectations on expansions of corporate profits, inflow of money from overseas investors was accelerated. Depreciation of yen against US dollar also led to better expectations on the performances of exporters, which increased the index for 11 consecutive days toward the end of the month, which was for the first time in 27 years.

This month's Topic : The TR Index reached the 30000 mark, another mark of the Nikkei 225.

The Nikkei 225 Total Return Index has reached the 30000 mark on 22nd in May 2015 after the Nikkei 225 recovered to the 20000 mark. The Nikkei 225 TR Index level was the highest since April 1991. The TR Index measures the performance of the Nikkei 225 that includes both movements in the index level and reinvestment of dividend incomes from its component stocks. The recovery in the TR index level for the first time in 34 years indicates the importance of dividends in stock investments.

Fig1:Nikkei 225 TR already recovered the level in 1991



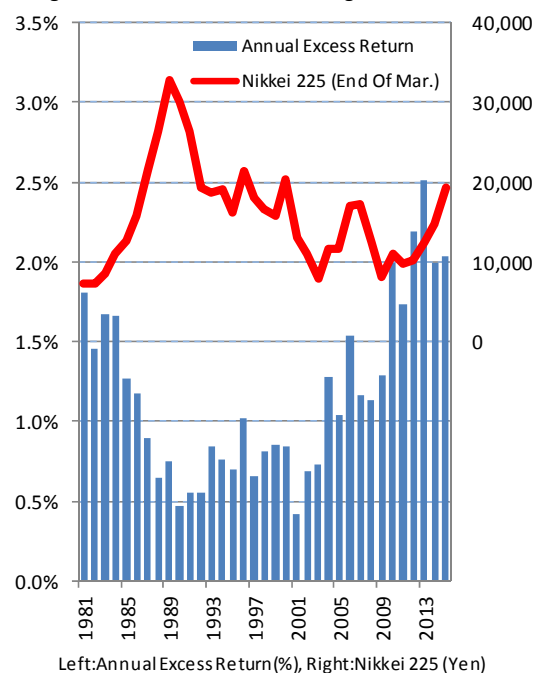
The Nikkei 225 TR Index is calculated by adding dividends on the daily fluctuations in the Nikkei 225, simply stated. Therefore, the TR index becomes greater than the Nikkei 225 by the amounts of the ex-dividend in general. The base date of the TR index is end of 1979. The TR index has the highest level at 43200 points at the end of 1989 when the Nikkei 225 touched its historical high. Afterwards, the both indexes suffered from collapses of bubbles.

The Nikkei 225 TR Index has recovered more rapidly than the Nikkei 225 in the 'Abenomics' rally in that the TR Index becomes the highest since 1991 and has already exceeded the peak in 1996 (at 26416 points) and 2000 (in the Information Technology bubble). On the other hand, the Nikkei 225 is approaching the peak in 2000 at 20833 yen. Also the TR Index is almost 70 % level of its historical high while the Nikkei 225 is still above 50 % of the highest in 1989. The reasons would be not only additions of the dividends but also compound effects of dividend reinvestments with the rapid recovery of the Nikkei 225. Also, it is noticeable that listed companies in Japan have been more aggressive in returns to shareholders.

Figure 2 compares the excess return of the TR Index over the Nikkei 225 in each fiscal year with the movement of the Nikkei 225 level at the end of March in every year. The excess returns represent the additional amounts by the dividends of the index components and could be similar to fiscal year dividend yields.

It is noteworthy that the annual excess returns remain relatively high despite of the soared index for a couple years on the background that companies have increased the dividend payments to investors while the Nikkei 225 has been rising, which is contrast to the trend in the 1980s when the annual excesses returns was going down while the Nikkei 225 was increasing because of low stable dividend payments in those days.

Fig2: Increased dividends led to higher excess return



The Nikkei 225 was more than doubled since the start of Abe government. As long as the rally continues, it would be still important for investment strategies to leverage increased returns to shareholders efficiently.

Performance Summary of May 2015

(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	20563.15	5.34%	0.15%	1.07%	20563.15	29-May	16795.96	14-Jan
JPX-Nikkei Index 400	15121.12	4.85%	0.14%	0.99%	15121.12	29-May	12308.20	7-Jan
Nikkei 225 TR	30462.00	5.34%	0.15%	1.07%	30462.00	29-May	24719.38	14-Jan
Nikkei 225 VI (Volatility)	18.47	-12.88%	0.12%	5.52%	26.58	6-Jan	17.37	26-May
Nikkei 225 VI Futures	24699.25	-18.80%	-0.36%	2.43%	50080.55	6-Jan	24292.80	26-May
Nikkei 225 USD Hedged	21848.84	5.18%	0.14%	1.07%	21848.84	29-May	17851.30	14-Jan
Nikkei 225 EUR Hedged	19251.87	5.26%	0.14%	1.08%	19251.87	29-May	15690.33	14-Jan
Nikkei 225 Covered Call	17744.68	4.05%	0.13%	0.92%	17747.59	28-May	14648.80	14-Jan
Nikkei 225 Risk Control	18365.74	3.45%	0.08%	0.65%	18365.74	29-May	16255.58	14-Jan
Nikkei 225 Leveraged	17516.86	10.88%	0.29%	2.14%	17516.86	29-May	11771.84	14-Jan
Nikkei 225 Inverse	2386.17	-5.15%	-0.15%	1.07%	2942.85	14-Jan	2386.17	29-May
Nikkei 225 Double Inverse	2649.30	-10.11%	-0.29%	2.14%	4059.40	14-Jan	2649.30	29-May
Nikkei 300	339.81	4.98%	0.14%	0.98%	339.81	29-May	274.44	14-Jan
Nikkei China Related 50	1805.35	5.61%	0.15%	1.00%	1805.35	29-May	1471.94	14-Jan
Nikkei 500 Average	1815.22	4.58%	0.15%	0.97%	1815.86	28-May	1464.27	7-Jan
Nikkei Japan 1000	1980.49	5.22%	0.14%	0.98%	1980.49	29-May	1603.46	14-Jan
Nikkei JASDAQ Average	2663.83	4.64%	0.12%	0.59%	2663.83	29-May	2329.73	3-Feb

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	10.99	11.80%	10.99	2015	2.05	2000

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 2014.

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

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