

Nikkei To Launch Estimated Dividend Index on Nikkei Stock Average

In addition to the Nikkei Stock Average Dividend Point Index (DP) started in April 2010, Nikkei launches the “Nikkei Stock Average Estimated Dividend Point Index” (EDP) and starts the calculation and dissemination from March 7.

This new index is, like DP, an index that accumulates dividends received from the companies when investors are supposed to hold the constituents of the Nikkei Stock Average (Nikkei Average) for a calendar year. The index is calculated by substituting the stock price by the dividend per share and accumulating the value since the beginning of the year.

The difference between DP and EDP is the timing to add dividends to the index. While DP accumulates the dividends when the amount is fixed by the events such as shareholder’s meetings, EDP accumulates in two steps, first on the day of ex-dividend, and then, adjust it when the dividend amount is fixed if the estimate on the ex-dividend is different from the amount fixed.

Since the index uses the dividends received in a calendar year, EDP is, like DP, a series of indices for each year. The index value for the same year, EDP rises ahead of DP, and DP reaches the EDP level later. Since EDP and DP are calculated by the dividends from the same set of companies (Nikkei Average constituents), the final value of both indices will become identical.

Dividend swap transactions are common among the activities to hedge the risk of dividend fluctuations in creating financial products based on the Nikkei Average. Although DP was developed to serve such risk, there is a time-lag between the ex-dividend and the day dividend amount is fixed under the Japanese system. This new EDP was developed to respond to the requests to increase the predictability of the last value of the index which is to be used for the settlement of the products.

EDP will be announced around 3pm Tokyo time on business days through the website “Nikkei Indexes” (<https://indexes.nikkei.co.jp/en/>). For the details of the calculation, please refer to the [Index Guidebook](#).

The historical EDP is calculated back to 1998. EDP page on the Nikkei Indexes provides daily EDP for the latest 3 years. Full history is available from our commercial service “Premium Data Package”.

Please visit [here](#) for more information regarding the “Premium Data Package”.

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