



Newsletter

January 2010

Welcome to the Nikkei NEEDS quarterly newsletter for January 2010, providing you with news on the Japanese economy and updates on NEEDS. We hope that you had a pleasant Christmas break and wish you all the best for the New Year!

We always welcome your comments and suggestions for future issues and if you have comments please feel free to email them to e-needs@eur.nikkei.com. Alternatively, if you no longer wish to receive this in the future, please reply unsubscribe to this email address.

Below are links to the topics covered in this edition. To see the full version, please click on the links that will take you to our main website.

[Nikkei 225 Index update](#)

[New TSE Cash Trading System “arrowhead” Goes Online](#)

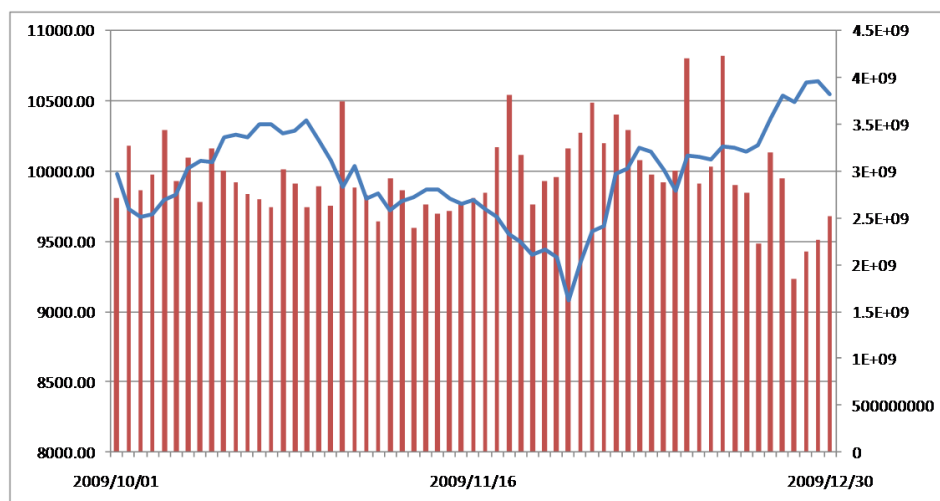
[NEEDS Report: How much has the Stimulus Helped Auto Sales?](#)

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Nikkei 225 Index Update

Nikkei 225 Close: 10546.44



3 Month High: 10638.06
3 Month Low: 9081.52

Largest 1 Day gain: 368.73
 (03/12/2009)

Largest 1 Day loss: -301.72
 (27/11/2009)

The Nikkei remained relatively flat during the last quarter, picking up momentum at the beginning of December to end up on the quarter, gaining 4% over three months.

There are no new changes to any of the constituents of the Nikkei 225, 300 or 500 Indices; however it was announced in November that the calculation of the Nikkei 225 index will take place every 15 seconds after the launch of arrowhead at the Tokyo Stock Exchange during early January.

New TSE Trading System “Arrowhead” goes online

The Tokyo Stock Exchange has this month launched its next generation trading platform, “Arrowhead”, designed to bring the TSE into line with major stock markets in America and Europe. The system, developed by Fujitsu, went online on 4th January and will offer improved reliability & flexibility, lower latency and a higher order capacity to boost liquidity in the Japanese Stock Market and attract foreign investors.

Analysts have speculated that the renewed interest in the Japanese market could push the Nikkei Average up by 2000 yen by the middle of February. The old system had experienced a number of high profile malfunctions over the years including system outages, capacity problems and order cancellation problems; last month the Tokyo Stock Market was ordered by the Tokyo District Court to pay Mizuho Securities just over 10 billion yen for the failure to cancel a trade order back in 2005 costing the firm nearly 27 billion yen.

The new system has reduced the order processing time to less than 10 milliseconds, greatly aiding high frequency and algorithmic traders. Under the old system, order matching takes place every few seconds; however in Arrowhead, the order matching will be instant. During the testing phase late last year, the system was able to provide order responses of 5 milliseconds and was providing stock price information within 3 milliseconds; a significant latency decrease on the old system.

Arrowhead also has a much increased capacity. There have been several occasions over the past few years where the exchange has been severely affected by its old capacity. The new system has doubled the previous order capacity and can be increased further within approximately one week should the current capacity prove insufficient.

The TSE is also changing some of the trading rules to accommodate the new system. This includes the expansion of market data FLUX Standard service by expanding the number of best bids and offers from 5 to 8 as well as providing a summary of the number of bids and offers from outside the best 8. The new FLUX Full service will greatly aid algorithmic traders by providing all order book data as well as setting time stamps in units of 0.1 seconds.

The development of the new system will also bring about a series of changes to the trading rules at TSE, including reducing the tick sizes so that all stock priced below 3000 JPY has a tick size of 1 JPY, down from 5 JPY. The daily price limits for stock have also been increased to allow for greater movement throughout the day.

Sell	Price	Buy
	Market Order	20
4	107	
6	106	
10	105	
	Last Trade	105

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4	107	
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The new system also includes changes to order execution. In the old system, orders were executed one by one, with a delay after each trade.

So for instance if a Market Order were placed for 20 shares in Security X, the first 10 shares would be bought for 105 JPY, followed by a few seconds delay, then 6 shares at 106, followed by a delay and the remaining 4 being bought at 107.

However in the arrowhead system, all of the orders are executed instantly against the sell orders. This would result in what appears to be an instant price jump from 105 to 107. A special “Sequential Trade Quotation” has been added in the event that the price jumps more than the set daily limit; the sequential trade quotation is then displayed for one minute.

The new system should also benefit internet traders, who account for nearly a quarter of all trading on the Tokyo Stock Market. Further information on this change and a detailed explanation of arrowhead can be found on the Tokyo Stock Exchange website [here](#).

Changes to NEEDS files and Nikkei Indices

Nikkei Digital Media has started to calculate the Nikkei Stock Indices every 15 seconds to match the increase in the speed of execution. Because of the large numbers of changes to the Tokyo Stock Exchange system, NEEDS files will be affected and subscribers should be aware of the changes to files received.

The NEEDS Tick by Tick file (TICST010) will be affected the most. NEEDS BULK files are limited in size to 2GB and on the previous system this file operated at 20% of this upper limitation. However with the huge amount of data that arrowhead will generate, the Tick by Tick Individual Stock file will now be split into 9 different files by thousand digit TSE Security Codes in order for subscribers to receive the extra data. Files will be divided by Security code, with security codes beginning 1XXX in one file, 2XXX in another 3XXX in another and so on.

Tick by Tick files will also record the best 8 bid and ask prices, an increase of 3 from the previous file format. The tick data will also include changes to the trade volume and quote flag and OVER/ UNDER data. Because of the large volume of data, Nikkei will cease transmitting TICST010 via ISDN line as the capacity of the transmission is not sufficient for the volume of data. Nikkei will instead transmit via the Internet or IP-VPN as an alternative.

Daily Stock Data files will also contain modifications, TOKYO AIM issues will now be recorded as TSE issues and the new “sequential trade quotation” flag will be added for TSE and other local exchange issues. For more detailed information on the changes, please contact a Nikkei Representative [here](#).

NEEDS: How Much Has The Stimulus Helped Auto Sales?

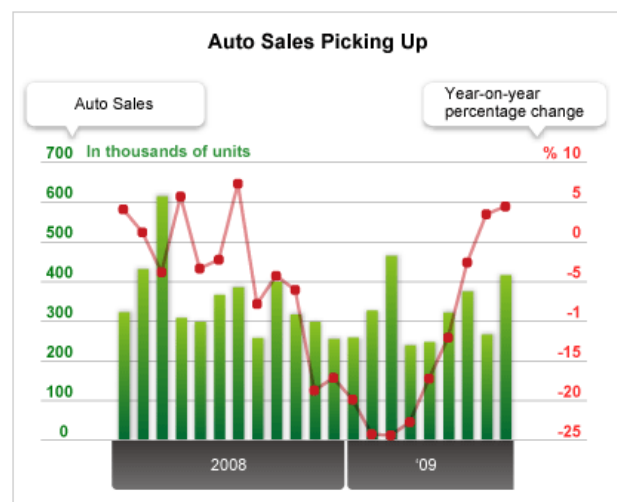
TOKYO (Nikkei)--More than a year has passed since the collapse of Lehman Brothers in September 2008, and Japanese economic activity has been picking up since February, albeit gradually.

The recovery is being led by sectors benefitting from government stimulus measures, including sales incentives for eco-friendly appliances and tax breaks and subsidies for green cars.

Using data from the Nikkei Economic Electronic Databank System (NEEDS), the following study analyzes the effect of stimulus measures on auto sales.

Sales finally turn up

Monthly unit sales of new passenger cars -- measured by the Japan Automobile Dealers Association and others -- started to log year-on-year declines in August 2008. In February, the decline figure hit an eye-popping 24%. In response, the government lowered the acquisition and weight taxes for hybrids and other fuel-efficient cars, and introduced vehicle purchase subsidies. These measures are key components of the broad economic stimulus package.



In April, when the tax breaks and subsidies took effect, the year-on-year sales decline at last began to narrow. Then August brought a rise of 3.2%, the first gain in 13 months, and September an increase of 4.2%. By all appearances, the sales upturn has been largely thanks to the tax breaks and subsidies.

To confirm this hypothesis, and to get a quantitative idea of exactly how much the stimulus has helped, a formula was developed to indicate what sales would have been like in the July-September quarter without the policy measures. The formula is based on national income and asset levels, and vehicle and gasoline prices.

As July-September income levels and other statistics have yet to be released, these were estimated based on NEEDS Econometric Model for Japanese Economy.

The formula's output indicates that without the stimulus measures, auto sales during the three months would have totalled 936,000 units, 113,000 less than the 1,049,000 that were actually sold.

What Price cut would have been necessary?

Given that the tax breaks and subsidies allow people to acquire cars for less than the sticker price, such measures presumably have the same effect on consumers as do ordinary price cuts. With this in mind, the same formula was used to see what sort of price cut -- absence stimulus measures -- would have been needed to get 1,049,000 unit sales. According to the formula, an across-the-board cut of 6.5% would have done the trick.

Crunching stimulus numbers confirms results

To confirm that this 6.5% figure is in the right ballpark, the study calculated how much the stimulus measures actually reduced price.

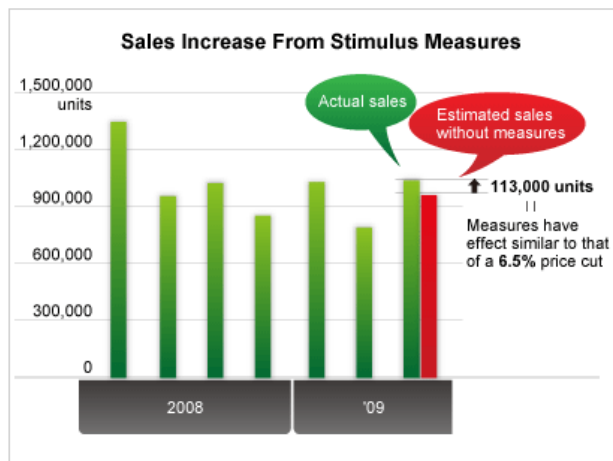
The eco tax cuts vary by vehicle. For instance, for a 2 million yen passenger car of less than 1.5 tons, a tax cut of about 110,000 yen is available, assuming that the vehicle is subject to a 75% tax reduction. Of the total cut, 42,600 yen is for the weight tax and 68,000 yen for the acquisition tax.

Add in a subsidy of 100,000 yen, and the buyer is looking at an effective price cut of 210,000 yen, a savings of about 10% off the sticker price. This savings is typical of the average seen under the stimulus programs. At present, 60-65% of vehicle unit sales take advantage of the tax break, according to the Japan Automobile Manufacturers Association. If 65% of sales receive an effective 10% discount, this roughly works out to an overall price cut of 6.5% -- just as the above-mentioned formula figured.

Where to now?

The subsidy program is due to expire at the end of fiscal 2009. The tax breaks are designed to run for three years; the new government has yet to say whether they will be extended. As the auto industry has a strong effect on a wide range of industrial sectors, and thus on the entire economy, whether stimulus measures will be extended is sure to draw heavy attention.

--Translated from an article by Chizuko Tsukamoto of Nikkei Digital Media



Details Of Tax Breaks, Subsidies For Green Cars

The tax breaks and subsidies are intended to stimulate economic activity by incentivizing consumers to purchase new eco-friendly cars as replacement or first vehicles. Environmental protection is another goal.

Tax Breaks

Cuts in acquisition and weight taxes for green vehicles

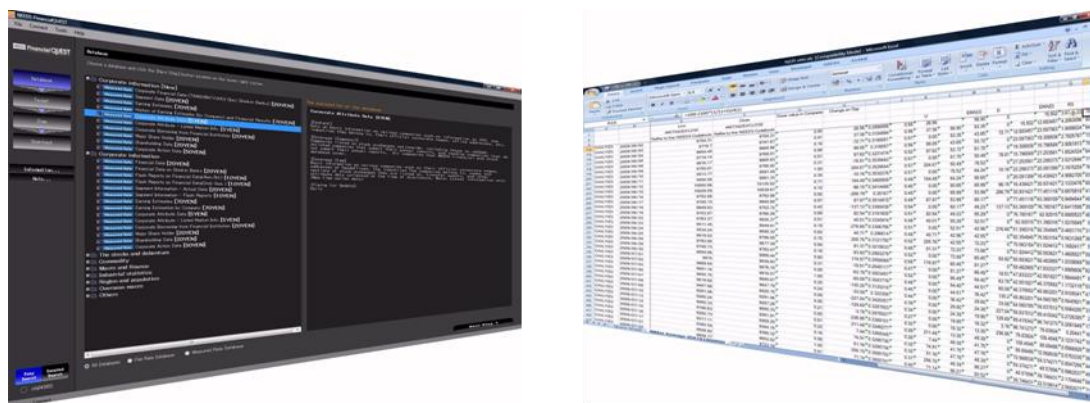
For the purchase of hybrid, fuel-efficient and other vehicles certified as eco-friendly, the acquisition and weight taxes are cut by a combined 100%, 75% or 50% depending on vehicle type, with the biggest cuts running more than 100,000 yen. The tax break is slated to last for three fiscal years from April 1, 2009.

Subsidies

For the purchase of new environment-friendly cars as replacement vehicles or first cars

The program was launched under the fiscal 2009 supplementary budget. Eligible vehicles are those certified as eco-friendly, and that were registered on or after April 10, 2009, when the government and ruling coalition unveiled a package of stimulus measures.

Financial QUEST Updated to Provide New Tanshin and Yuho Reports



Financial QUEST 2.0, Nikkei's popular online data download service has updated its corporate fundamentals databases to include the new Tanshin and Yuho Reports, which all listed companies are required to submit to the Japanese FSA. The new data files will enable FinancialQUEST 2.0 users to access the quarterly reports in full after NEEDS BULK clients were able to access the new data from November last year.

All listed Japanese companies are now required to submit Yuho financial statements within 45 days of the end of each accounting quarter, rather than at the end of the financial year. The FSA have also changed the rules on consolidated reports and companies are no longer required to submit unconsolidated reports.

The new data files will be kept separate from the previously recorded Corporate Fundamentals data; however it is possible to merge the two databases to produce accurate comparisons in fundamentals from previous years. The old database formats will be updated until July 2010 and gradually phased out by December 2010.

The changes will make updating the files faster to ensure that FinancialQUEST clients receive the data as fast as possible from the date that a company submits its report to the FSA.

Corporate Financial Data

Quarterly Tanshin/ Yuho Reports, Disclosed documents and Nikkei research. Data updated daily.

Segment Data

Contains more information from the quarterly reports and will be updated daily.

History of Earning Estimates by Company

Information on business results/ dividends from the Tanshin report.

Financial Results Historical Record

Disclosed history of main items sourced from the Tanshin Report.

History of Earning Estimates and Financial Results

Gives clients the ability to integrate estimates and results data for business results/dividends.

If you would like to receive more information about Financial QUEST, or the changes made by the FSA, please contact a Nikkei Representative.

Free 10 Day Trial of Financial QUEST 2.0; NEEDS SPOT Online Ordering Available

Starting next month, Nikkei Europe will resume online ordering via the NEEDS SPOT data access service. NEEDS SPOT enables clients to access the wealth of data available in the NEEDS Databank without the need for a subscription. The online ordering service will enable customers to place orders for amongst other things corporate financial data, stock and equity data, derivatives data and tick data. Nikkei provides free sample data for these orders to evaluate before completing.

Nikkei Europe are also able to offer free, no obligation 10 day trials of FinancialQUEST 2.0 to financial professionals. The service is ideal for investment managers and gives you access to the NEEDS Databank when and where you need it without the need for a system overhaul and with minimal training. For more information on FinancialQUEST or to request a demonstration, please visit the Financial QUEST pages of the NEEDS website [here](#).

This Newsletter was created using NEEDS Data. For further information on NEEDS SPOT, NEEDS BULK or NEEDS Financial QUEST, please visit our [homepage](#) or contact a member of Nikkei Europe.

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