Welcome to the Nikkei Newsletter for March 2013. This edition contains numerous announcements including the launch of Value Search, Nikkei’s exclusive web based company analysis service, the calculation of a new total return index, analysis of fundamentals data in our corporate financial database and more.

We always welcome your comments and suggestions for future issues. If you have any comments please feel free to email them to e-needs@eur.nikkei.com.

In this edition will cover:

1. Nikkei Stock Average (Nikkei 225) 3 Month Performance
2. Calculation of Comprehensive Income in NEEDS
3. Nikkei Japan 1000
4. Value Search
5. Nikkei 225 Total Return Index

Weaker Yen Pushes the Nikkei Stock Average to highest level since September 2008

Nikkei 225 Close: 11,559.36 + 305.39 (+2.71%) as of 28/02/2013

Period: 01/11/2012 to 31/01/2013

The benchmark index has seen a steep 24.5% rise from 8946.87 (01/11/2012) to 11,138.66 (31/01/2013) as Tokyo Stock Exchange issues appreciated on a weakening yen and expectations of further aggressive monetary easing by BOJ. The Bank of Japan added stimulus to the economy with a number of quantitative easing measures geared towards fighting deflation and to achieving a 2% inflation target. The BOJ announced that it will "provide new funds exceeding 50 trillion yen for over twelve months from now under the Asset Purchase Program and the Loan Support Program and the amount outstanding of these programs will be 120 trillion yen”.

Bank of Japan “Enhancement of Monetary Easing” December 20, 2012
Correlation between a falling Yen and a rising Nikkei Stock Average

In order to analyse the impact of the weakening yen on the performance of the Nikkei Stock Average we have calculated the correlations between fluctuations of the below currencies and the movements of the Nikkei Stock Average.

Note: Correlations have been calculated using log returns

<table>
<thead>
<tr>
<th>Correlation Nikkei 225 Returns Currency Movements</th>
<th>Dollar</th>
<th>Euro</th>
<th>Sterling</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar</td>
<td>0.7064</td>
<td>0.4366</td>
<td>0.2184</td>
<td>0.4538</td>
</tr>
<tr>
<td>Euro</td>
<td>-0.0216</td>
<td>0.5494</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sterling</td>
<td></td>
<td></td>
<td>0.2195</td>
<td></td>
</tr>
</tbody>
</table>

Correlations have been computed using daily Nikkei 225 returns from (31/08/2012 – 08/02/2013) and changes in the value of the Yen against the Dollar, Sterling and the Euro. The correlations ranged from 0.2184 to 0.7064 showing a positive level of co-movement between the returns on the Nikkei Average and appreciation of the Dollar against the yen\(^3\).

(Graph 2 shows that value of the Dollar rapidly increasing against the Yen. Similar movements have been observed for the remaining currencies highlighting the impact of quantitative easing measures adopted by the BOJ.

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\(^2\) This quote is the quote for the ending stock price which has been adjusted for Ex-Rights Events. Nikkei Averages prices are also not ex-div adjusted.

\(^3\) This is a positive correlation because a direct quote for the yen was adopted ex. DOL/YEN = 93.72. If and indirect quote was used, this relationship would have been negative; ex. indirect quote: YEN:DOLL = 0.01067
2. Calculation of Comprehensive Income in NEEDS

Introduction

The Corporate Financial Database provides wide coverage of financial statements data for Japanese companies. Over 40 years of historical financial statements data for all listed companies, and major unlisted companies can be accessed.

Tanshin Reports and Yuho reports have been combined with Nikkei’s own research in order to accurately deliver sound and reliable company fundamentals. The database has also been continuously updated in accordance with the latest developments in Japanese Accounting Standards.

Tanshin Reports: brief financial report which every listed company must submit to the FSA under the following rule: 1Q (1st quarter report): 45 days after the term closes 2Q (2nd quarter report): 30 days after the term closes 3Q (3rd quarter report): 30 days after the term closes 1A (Annual report): 45 days after the term closes.

Yuho Reports: Yuho is a financial statements report that must be submitted to the FSA under the following rule: 1Q (1st quarter report): 45 days after the term closes 2Q (2nd quarter report): 45 days after the term closes 3Q (3rd quarter report): 45 days after the term closes 1A (Annual report): 90 days after the term closes.

The process of harmonisation of accounting standards between Japanese GAAP and IFRS has hugely impacted Japanese listed companies in the production of their financial reports. “On 11 December 2009 The Financial Services Authority (FSA) published final Cabinet Ordinances that allow some Japanese public companies voluntarily to start using IFRSs designated by the Commissioner of the FSA in their consolidated financial statements starting from the fiscal year ending 31 March 2010....”.

The adoption of IFRS for listed Japanese companies is currently not required; in June 2011 the FSA announced that adoption of IFRS will not be mandatory for the fiscal year ending March 31, 2015 and companies will be given a period of five to seven years prior to adoption of IFRS in Japan. The IFRS standards were expected to become mandatory in Japan by 2015/2016, however according to The Nikkei, Nov. 16 2012 morning edition, “the Financial Services Agency is likely to postpone a decision on requiring Japanese firms to switch to international accounting standards due to a lack of consensus at its expert panel.”

Despite recent delays in the adoption of IFRS standards in Japan, the NEEDS database has been updated in order to deliver financial statements data for companies voluntarily reporting under IFRS in addition to Japanese GAAP and U.S. GAAP.

Number of companies in Japan applying IFRS

Despite the voluntary switch to IFRS by major companies such as Japan Tobacco Inc. (2914) and Sumitomo Corp. (8053), and the announcement by more than 15 Japanese firms including Honda Motor Co. (7267) and Takeda Pharmaceutical Co. (4502) to make the switch, the number of companies adopting IFRS remains relatively small. By using Financial-QUEST’s screening function we are going to identify Listed Industrial Companies which voluntarily reported under IFRS since the fiscal year ending in March 2010.

- All industrial companies (the NEEDS database classifies companies according industrial categories such as: 1) Industrial 2) Banks 3) Securities 4) Non-life insurance companies 5) Shinkin. This division is the result of the differing nature of financial statements of the industry categories. For this reason in this article we are going to narrow our focus on consolidated financial statements of industrial companies).

- Time Period: 3 fiscal years, 2009-2010, 2010-2011, 2011-2012

- Data Item: Comprehensive Income. The process of harmonisation between Japanese GAAP and IFRS lead to the adoption of “Comprehensive Income” by Japanese GAAP. In this article we are going to further analyse this figure by presenting a breakdown of its components which will be downloaded from Corporate Financial Database.

Search Results

By screening the population of all Listed Industrial Companies we obtain the below list of Japanese companies that currently report under IFRS.

Comprehensive Income (IFRS)

<table>
<thead>
<tr>
<th>Company</th>
<th>2012/03</th>
<th>2011/03</th>
<th>2010/03</th>
<th>2009/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIPPON SHEET GLASS</td>
<td>-48938</td>
<td>-7947</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>HOYA</td>
<td>35394</td>
<td>46549</td>
<td>47533</td>
<td>-</td>
</tr>
<tr>
<td>SUMITOMO</td>
<td>189597</td>
<td>73213</td>
<td>285919</td>
<td>-</td>
</tr>
<tr>
<td>NIHON DEMPA KOGYO</td>
<td>852</td>
<td>4167</td>
<td>-29707</td>
<td>-</td>
</tr>
<tr>
<td>JAPAN TOBACCO</td>
<td>192143</td>
<td>-48967</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Comprehensive Income (Japanese GAAP or U.S.)

<table>
<thead>
<tr>
<th>Company</th>
<th>2012/03</th>
<th>2011/03</th>
<th>2010/03</th>
<th>2009/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIPPON SHEET GLASS</td>
<td>-36622</td>
<td>-15206</td>
<td>-40157</td>
<td>-</td>
</tr>
<tr>
<td>HOYA</td>
<td>45378</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SUMITOMO</td>
<td>81226</td>
<td>271377</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NIHON DEMPA KOGYO</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>JAPAN TOBACCO</td>
<td>117047</td>
<td>-110352</td>
<td>155822</td>
<td>-</td>
</tr>
</tbody>
</table>

Note:

Reporting of Comprehensive Income become mandatory according to Japanese GAAP in the fiscal year ending in March 2011. It was also an obligation for companies to restate their financial statements from the previous year (2010) to include comprehensive income, for this reason data is available for the fiscal year ending in 2010, although Japanese companies officially started reporting comprehensive income from the fiscal year ending in 2011.

*U.S GAAP

3
All companies selected from the screening made the transition to IFRS with Nippon Dempo Kogyo (6779) being first to switch and the remaining companies following suit.

Nippon Dempo Kogyo states on its website that “[the company] has been preparing its consolidated financial statements in accordance with IFRS since the fiscal year ended March 31, 2002 in the annual report which has been issued to foreign investors”.

In a Press Release on 25 February 2011 Nippon Sheet Glass announced that the company will start implementing IFRS standards starting from 1 April 2011.

**Definition of Comprehensive Income in NEEDS**

In June 1997 the FASB issued SFAS 130 which requires companies to (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. The standard is therefore interested in the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and thus includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Table 1 lists all the components of Net Comprehensive Income; each component is stored in the Corporate Financial Database with a unique code (ex. Net income “FINFSTA'D01004”); this will allow us to easily identify components of Net Comprehensive Income and to calculate it manually by making the relevant adjustments to Net Income.

**Table 1 Components of Comprehensive Income**

<table>
<thead>
<tr>
<th>Item</th>
<th>Code</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive Income</td>
<td>FINFSTAD01140</td>
<td>million yen</td>
</tr>
<tr>
<td>=</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Net Income attributable to the owners of the firm</td>
<td>FINFSTAD01004</td>
<td>(110) million yen</td>
</tr>
<tr>
<td>(2) Minority Interests in Income or Loss/Net Income attributable to Non-Controlling Interests</td>
<td>FINFSTAD01105</td>
<td>million yen</td>
</tr>
<tr>
<td>(3) Valuation Difference on Available-for-Sale Securities/Loss (Gain) on Valuation of Available for Sale Financial Assets Abstract</td>
<td>FINFSTAD01119</td>
<td>million yen</td>
</tr>
<tr>
<td>(4) Deferred Gains or Losses on Hedges/Cash Flow Hedges</td>
<td>FINFSTAD01124</td>
<td>million yen</td>
</tr>
<tr>
<td>(5) Foreign Currency Translation Adjustment</td>
<td>FINFSTAD01129</td>
<td>million yen</td>
</tr>
<tr>
<td>(6) Pension Liabilities Adjustment/Actuarial Gains or Losses on Defined Benefit Plans</td>
<td>FINFSTAD01132</td>
<td>million yen</td>
</tr>
<tr>
<td>(7) Fixed Assets Revaluation Difference</td>
<td>FINFSTAD01135</td>
<td>million yen</td>
</tr>
<tr>
<td>(8) Amount of Interest for Equity Method Companies</td>
<td>FINFSTAD01136</td>
<td>million yen</td>
</tr>
</tbody>
</table>

**Table 2 Comprehensive Income figures for SUMITOMO CORP., T8053**

<table>
<thead>
<tr>
<th>Data Items</th>
<th>million yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive Income [Cumulative Total]</td>
<td>189597</td>
</tr>
<tr>
<td>Net Income attributable to the owners of the Parent [Cumulative Total]</td>
<td>250669</td>
</tr>
<tr>
<td>Minority Interests in Income or Loss/Net Income attributable to Non-Controlling Interests [Cumulative Total]</td>
<td>13003</td>
</tr>
<tr>
<td>[Valuation Difference on Available-for-Sale Securities/Loss (Gain) on Valuation of Available for Sale Financial Assets Abstract] After Tax Effect Adjustments [Cumulative Total]</td>
<td>-1352</td>
</tr>
<tr>
<td>[Deferred Gains or Losses on Hedges/Cash Flow Hedges] After Tax Effect Adjustments [Cumulative Total]</td>
<td>2005</td>
</tr>
<tr>
<td>[Foreign Currency Translation Adjustment] After Tax Effect Adjustments [Cumulative Total]</td>
<td>-67465</td>
</tr>
<tr>
<td>[Pension Liabilities Adjustment/Actuarial Gains or Losses on Defined Benefit Plans] After Tax Effect Adjustments [Cumulative Total]</td>
<td>-12045</td>
</tr>
<tr>
<td>[Fixed Assets Revaluation Difference] After Tax Effect Adjustments [Cumulative Total]</td>
<td>0</td>
</tr>
<tr>
<td>[Amount of Interest for Equity Method Companies] Current Period [Cumulative Total]</td>
<td>4782</td>
</tr>
</tbody>
</table>
Thanks to the extensive coverage and reliability of NEEDS data it is possible to thoroughly analyse company fundamentals. With over 40 years of historical data, NEEDS gives users unparalleled access to Corporate Financial data for Japanese companies. All products and services are also continuously updated with developments in accounting standards such as the future implementation of IFRS in Japan.

For further information regarding availability of Corporate Financial data in NEEDS please contact a representative from Nikkei Europe’s E-Media department at: s-needs@eur.nikkei.com

3. Introducing Nikkei Japan 1000 and Nikkei Japan 1000D

The Nikkei Japan 1000 is a free float adjusted market value index which is closely observed by passive fund managers as a benchmark for the Japanese economy. The index includes 1000 issues of Japanese domestic common stocks which are selected from all stock exchanges and has been calculated since 31st March 2005, and retroactively calculated back to 1st November 1986.

As the index is market value weighted, it is calculated by dividing the total free float adjusted market value of the index constituents by its “base market value”. The free float adjustment ensures that when the market capitalisation of the firm (Share Price × #Shares outstanding) is calculated, shares which are not actively traded in the market are omitted.

\[
Nikkei \ Japan \ 1000 = \frac{\sum (Share \ Price \times \#Shares \ outstanding \times \ Investable \ Weight \ Factor)}{Base \ Market \ Value} \times 1,000
\]

Where the denominator is defined as the “Base Market Value”, which had a base value of 1000 as of 1st November 2002.

Constituent Changes

Components of Nikkei Japan 1000 are reviewed at the end of October based on an Annual Review, “The Annual Review is conducted based on ranking of average free float adjusted market value in the past 2 years”. Any delisted company will be automatically removed from the index resulting in the index being calculated with less than 1000 constituents until the following Annual Review, where the original number of constituent is reinstated with the addition of new companies.
Advantages in using the Nikkei Japan 1000 as a Benchmark

There are a large number of benefits in adopting the Nikkei Japan 1000 Index as a benchmark for the Japanese Economy:

(1) **Representativeness of the Market**
The large number of index constituents in addition to the variety industry sectors ensures that the performance of all industries and sectors is accurately reflected in the movements of the index.

(2) **Free Float Adjusted Weights**
As shown in the above formula for the calculation of the index, a free float adjustment is applied to the Market Capitalisation of the Index Constituents (Market Cap = Stock Price * # shares outstanding). The IWF is of paramount importance as it adjusts Market Capitalisation of the constituents by not accounting for the Parent Company or dominating shareholding and for Cross Shareholdings which are not actively traded in the market.

**Nikkei Japan 1000D**
The Nikkei Japan 1000D is a dividend adjusted version of the Nikkei 1000D. Investors can measure the total return of the index as dividends are matched with capital gains. The below graph plots both the performances of the Nikkei Japan 1000 and the Nikkei Japan 1000D; the movement of the index is identical; however the performance of the Nikkei Japan 1000D is biased upwards as it includes the effects of dividend gains.

For further Information Regarding Nikkei Japan and Nikkei Japan 1000 please visit Nikkei Index Website: [http://indexes.nikkei.co.jp/nkave/archives/files/nikkei_japan_1000_factsheet_en.pdf](http://indexes.nikkei.co.jp/nkave/archives/files/nikkei_japan_1000_factsheet_en.pdf)

**Availability of the data**
As Nikkei are the official publishers of the index, Nikkei Europe can provide accurate and timely access to Index Data for Nikkei Indices. These can be accessed through a number of channels:

(1) **NEEDS/BULK-FDS Service:**
NEEDS-BULK is our FTP service which reliably and accurately delivers daily updates directly to our clients’ servers. The service is in operation 24/7 365 days excluding maintenance days.

(2) **Markit:**
Nikkei Index Data is also available through Markit, Nikkei Europe’s official third part vendor.
4. Launch of New Service: Nikkei Value Search

We are proud to announce the launch of **Value Search**, Nikkei’s premium web based service in Japanese which combines the accuracy, precision and timeliness of NEEDS data with Telecom’s comprehensive news archive. Value Search is an essential business tool, and has already seen high demand by a wide range of users; from M&A consultants, Researchers and Consulting firms to Trading Companies. **Value Search** has been acclaimed as a key driver of performance by allowing its users to rapidly make informed key decisions.

Value Search intelligently displays: Corporate Financial, Market Data, Corporate Governance and more, in a user friendly web based interface.

<table>
<thead>
<tr>
<th>Financial Institutions</th>
<th>Consulting Firms</th>
<th>Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Finance</td>
<td>Corporate Finance Ad-</td>
<td>Corporate Planning</td>
</tr>
<tr>
<td></td>
<td>visory</td>
<td>Investor Relations</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>M&amp;A Advisors</td>
<td>Business Investment</td>
</tr>
<tr>
<td>Equity &amp; Fixed Income</td>
<td>Research</td>
<td>Human Resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supply Chain</td>
</tr>
</tbody>
</table>

**Value Search** is suited for the following operations:

- Extensive Industry Analysis (530 industry categories)
- Competitor Analysis
- Valuation
- Company Analysis
- Investment Analysis
- Corporate Reports

Page 8 contains a screenshot presenting the main menu of **Value Search** for Company Information. Companies can be searched by: Company Name, Company Code and Industry etc.

There is a wealth of Japanese Financial and Economic Data that can be unlocked through Value Search; this will be explored in future NEEDS Newsletters through comprehensive step-by-step guides. Nikkei Europe is issuing free **Value Search** trials so don't miss this opportunity to access this new exclusive service.

Please send **trial requests** to: e-needs@eur.nikkei.com

For further information regarding value search please visit our Japanese Website: [http://sales.valuesearch.nikkei.co.jp/](http://sales.valuesearch.nikkei.co.jp/)
Value Search Toolbar and Menus Screenshot

- Visualise Key Information
- Easy browse through Company Fundamentals and company related News Articles
- Export Data to Microsoft Excel
- Create Reports in Power Point format
- Wide and Comprehensive Company Coverage
- Extensive come Contents and Built-in Tools

Company Information
(1) Basic Information
(2) Shareholder Information
(3) Shareholders Meetings
(4) CSR, Corporate Governance

Corporate Fundamentals
(1) Financial Statements
(2) Foot Notes
(3) Fundamentals Analysis
(4) Segment Information
(5) Borrowing and Loan Info
(6) Earnings Estimates

IR Information
(1) Company Disclosures
(2) IR Data

Market Data
(1) Stock Prices
(2) Valuation, Beta

News & Articles
(1) Nikkei Flash News and Newspapers
(2) Magazines and Others
5. Nikkei 225 Total Return Index

Nikkei is proud to announce the launch of the Nikkei 225 Total Return Index. The index was first published on December 3, 2012 and measures the total performance of the Nikkei Average by accounting for the reinvestment of dividend incomes in addition to the price movements of its constituents. The index is calculated by: "multiplying the index value on the previous day by the daily return of the value including the dividend".


Estimated dividend value are used in calculating the index. This is a result of Japanese companies' tendency to fix the amount of dividends paid to shareholders after the ex-dates. If the value of the actual dividend paid differs from the estimated value then the index is adjusted to reflect the differences on the next business day.

Formula for the Calculation of the Index

\[
\text{Index Value}_t = \frac{\text{Nikkei 225}_t + \text{Estimated Ex Dividend}_t + \text{Dividend Adjustment}_t}{\text{Nikkei 225}_{t-1}}
\]

A detailed explanation of the calculation of the index in addition to comprehensive examples can be accessed from the Nikkei Index Website:

http://indexes.nikkei.co.jp/nkave/archives/file/nikkei_225_total_return_index_guidebook_en.pdf

*Estimated dividend figures published by Nikkei
NEEDS BULK is Nikkei's premium data access service, providing daily updates and historical data from the Nikkei master data files. NEEDS BULK ensures that clients receive timely and accurate data directly to a central database. Popular NEEDS BULK file include Nikkei 225 data, Corporate Actions data, Tick by Tick data and Yuho/Tanshin Corporate Financials data.

NEEDS FinancialQUEST is Nikkei's online data download service for Japanese economic data; providing over 40 years of historical data covering Japanese corporate reports, securities data, consumer statistics, government and GDP data. Monthly subscription options range from unlimited data access to pay per download to suit all budgetary requirements.

Tick Vision is the latest addition to the NEEDS suite providing online data download and analysis of Tick data from the Japanese stock markets, including over 15 years of individual equity, JGBs, equity options and stock index futures and options data. The software also includes data analysis and simulation tools to chart VWAP, beta, bid ask spreads etc throughout the day.

NEEDS SPOT provides ad hoc access to data on the Nikkei database to academics and data managers who require a one off set of historical data for client research projects. The data is delivered in a variety of formats to suit the needs of our clients and can be delivered via email or DVD. A subscription is not required and we offer special promotional rates for academic users.

This newsletter was created using NEEDS Data. For more information about NEEDS Data and access options, please visit our website www.nikkeieu.com/needs or contact a Nikkei Representative.

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