



SMAM

Increasing shareholder return such as “Dividends” (Japan)

When you invest in stocks and become a shareholder, you are entitled to receive part of company profit by “dividends” and if any, by receiving company products or other shareholder benefits such as complementary tickets. Lately, shareholder return such as “dividends” is increasing by companies due to (i) growing awareness of the importance of shareholder return and (ii) strong business performance. As Japan is expected to be under low interest rate environment for a while, relatively high “dividends” yield of stocks seems to remain attractive.

Point 1

“Dividends” is one way of returning profits to shareholders other than capital gain and shareholder benefits

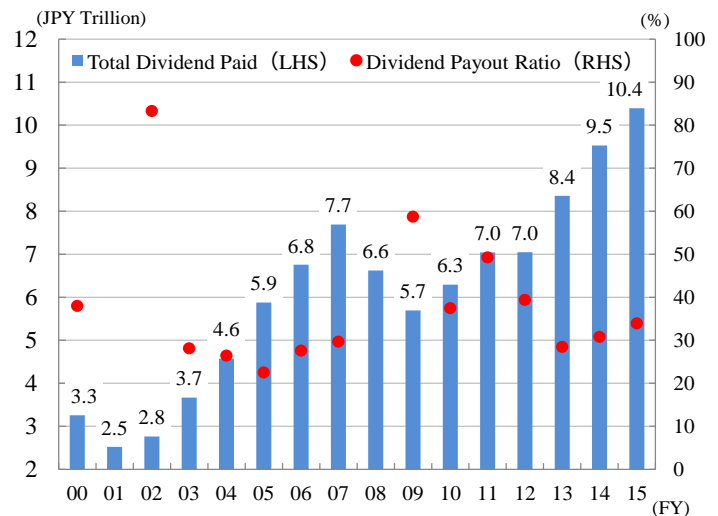
- When you invest in stocks, you can enjoy capital gain by selling them at a higher price compared to the price you bought them. Other than this kind of profit, when you become a shareholder you can receive “dividends” as a partial return of company’s earnings generated in its financial year. “Dividends” can increase (dividend increase), decrease (dividend reduction) and even not paid (passed dividend) depending on business performance. Meanwhile, you might be able to receive company products or other shareholder benefits such as complementary tickets.

Point 2

“Dividend payout ratio” and “Dividend yield” are attracting attention as shareholder return gathers momentum

- “Dividend payout ratio” is the ratio of net income paid to shareholders in “dividends” at the fiscal closing. In other words, it shows how much of company profit is paid in return to shareholders by “dividends”. Lately, shareholder return such as “dividends” is increasing due to (i) growing awareness of the importance of shareholder return and (ii) strong business performance.
- Meanwhile, “dividend yield” is a ratio that indicates how much you can earn as “dividends” each year relative to the share price you purchased at. Dividend value will be determined at the annual closing after purchase of shares, however, estimated “dividend yield” is calculated in the stock market using real time share price and estimated dividend depending on corporate performance.

Total Dividend Paid and Dividend Payout Ratio



(Note) Covering all the listed companies in Japan (common shares).

Dividend payout ratio is not indicated in financial years making losses.

(Source) SMAM, calculated using Nikkei Astra Manager data.



Dividend is expected to become more attractive supported by economic recovery and corporate earnings improvement

- We expect corporate earnings will improve in the future because JPY has been depreciating since US presidential election held in last fall and US economy is expected to show strong growth supported by US President Trump's fiscal policy. Stock investment focusing on "dividends" will become more attractive as improvement of company performance usually leads to increase of "dividend" resource. Also, Japan is expected to be under low interest rate environment for a while. Therefore, average "dividend yield" of Tokyo Stock Exchange Stock Price Index (TOPIX) at around 1.9% (as of 6th February 2017), is relatively high compared to low Japanese interest rate and seems to be quite attractive.

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