

Japan: Land of the Rising Sun — and Rising Dividends

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WisdomTree conducts an annual screening to measure dividends paid in its developed international Index family. The annual rebalance provides a plethora of data about how dividends are changing across regions, sectors and companies.

At this year's screening, there were a few notable standouts in terms of growth in Japanese dividends.

Japan's Dividends Set New Record: This year's Japan Dividend Stream®—measured in the local currency, the yen—set a new record of ¥9.03 trillion[1]. This number is almost double what the Dividend Stream was at its bottom in 2010. The growth in dividends reflects the increased profits of corporate Japan, as well as companies' better balance sheet management.

Three-Year Growth Differentials and Yen Impact: Over the last three years (since the 2012 Index screening), Japan's dividends are up 56% when measured in yen, but they are down 1.6% when measured in U.S. dollars. This change in the exchange rate over the last three years shows how much currency can detract from the experience of local markets. In fact, in U.S. dollar terms, the 2015 dividends were lower than the 2014 dividends and even lower than the 2012 dividends, before Prime Minister Abe was elected at the end of 2012 and ushered in new economic initiatives aimed at restoring growth in Japan.

Japan Dividend Stream in both U.S. Dollars (USD) and Yen Terms

Sources: WisdomTree, Bloomberg, Standard & Poor's. Universe comprises companies incorporated within Japan from within the WisdomTree DEFA Index. Data comprises historical Index Screening dates from 31/05/2008 to 31/05/2015. You cannot invest directly in an Index.

Sector Dividend Stream Growth was Also Broadly Positive in Japan

This year's 14.9% growth in dividends was led by the technology sector, which saw dividends grow by almost 20%. To gain greater insight into this 20%, we looked at the 10 largest Japanese dividend payers within this sector. Four companies stood out for at a minimum doubling their dividends per share compared to the prior year:

- Yahoo Japan Corporation: An embodiment of the current Japanese trend of returning cash to shareholders, Yahoo Japan Corporation doubled its dividend from the 2014 fiscal year. The company was able to pay over ¥50 billion in dividends from its retained earnings. [2]
- Tokyo Electron increased its dividend per share from ¥25 to ¥68—approximately 170%! The source of this cash: surplus earnings. [3]
- Seiko Epson Corporation increased its dividend per share by 130%! [4]

- Fujitsu doubled its dividend per share. [5]

Industrials were another sector with close to 20% growth. Fanuc represented the largest Japanese dividend payer in this sector; the firm doubled its dividend payout ratio from 30% to 60% as part of its recent focus on returning more profits to shareholders.

Japan Dividend Stream Growth by Sector

Sources: WisdomTree, Bloomberg, Standard & Poor's. Universe comprises companies incorporated within Japan from within the WisdomTree DEFA Index. You cannot invest directly in an Index. This new dividend data not only affords a broad cross-market view of Japan's fundamentals, but also provides the basis for relative valuation insights. WisdomTree's annual rebalance of its Japan-focused Indexes entails a disciplined process focused on relative valuations. These changes generally can be described as:

- Stocks getting more expensive—measured on a price-to-dividend basis—receive less weight
- Stocks getting less expensive—measured on a price-to-dividend basis—receive more weight
- [WisdomTree Japan Equity UCITS ETF - USD Hedged \(DXJ\)](#)

All data is sourced from WisdomTree Europe and Bloomberg, unless otherwise stated.

[1] Sources: WisdomTree, Bloomberg, Standard & Poor's, with data as of the 31/05/15 annual rebalance.

[2] Source: Yahoo Japan Corporation, Notice of Cash Dividend Paid from Retained Earnings, 21/05/15.

[3] Source: Tokyo Electron, Notice Concerning Payment of Dividends from Surplus Earnings (for the Fourth Quarter of the Fiscal Year Ended March 31, 2015), 13/05/15.

[4] Source: Bloomberg.

[5] Source: Bloomberg.

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