

Russell/Nomura Indexes Annual Reconstitution

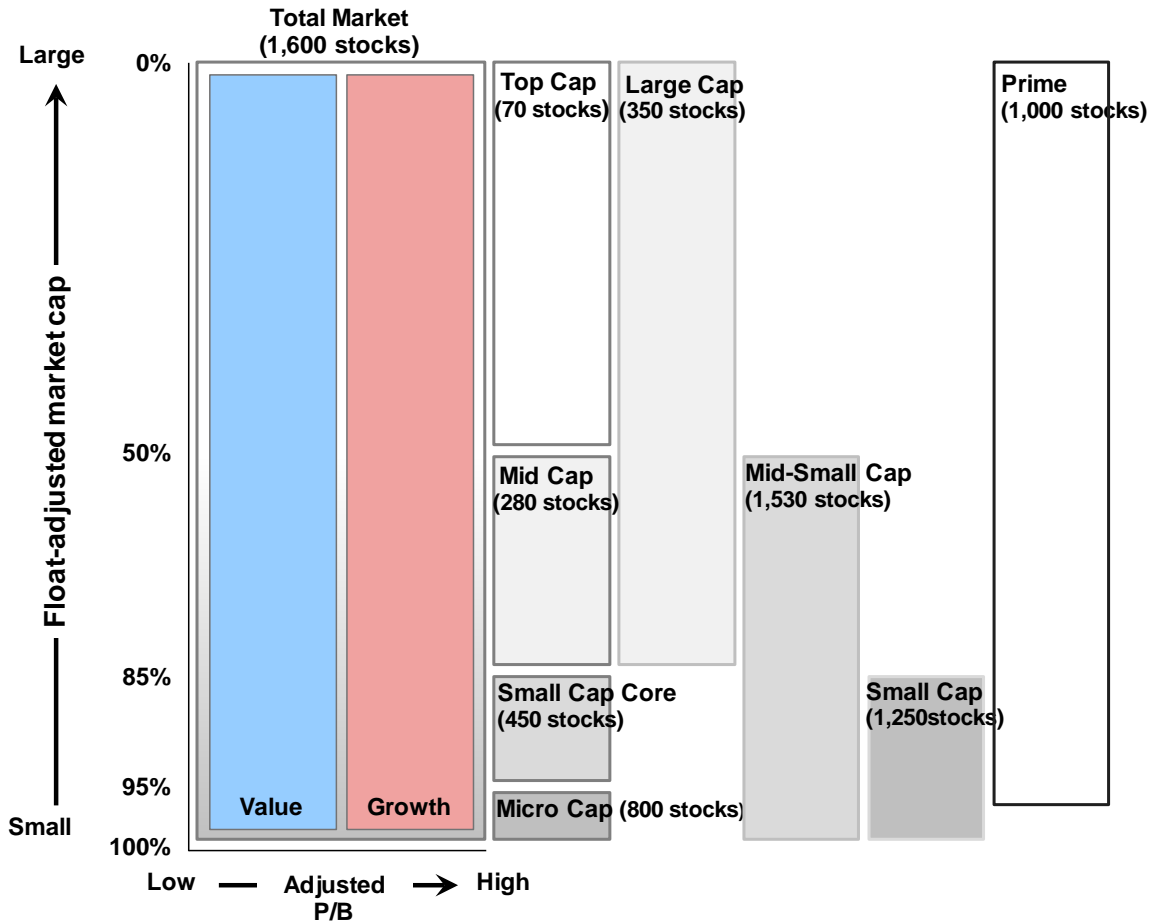
Tokyo, November 20, 2018— Nomura Securities Co., Ltd. and FTSE Russell Indexes today announced that the Russell/Nomura Japan Equity Indexes' annual reconstitution for 2018 has been implemented. The number of constituents in the Russell/Nomura Total Market Index, which captures 98% of the float-adjusted market capitalization of the Japanese equity market, came to 1,600. The membership list has been posted on <http://qr.nomuraholdings.com/en/frcnri/index.html>

The total number of firms in the Russell/Nomura Total Market Index was 1,600 as a result of 100 additions and 89 deletions. The total capitalization of the Index was approximately 420 trillion yen (as of October 15, 2018, float-adjusted).

The number of constituents in the Large Cap Index included the same 350 stocks as in the annual reconstitution held last year. The number of stocks in the Top Cap Index and the Mid Cap Index, which are sub-indices of the Large Cap Index, was the same as last year. The number of stocks in the Small Cap Index, which represents the bottom 15% of the Total Market Index, increased to 1,250 (see Chart 1).

The Total Value Index had 104 additions and 118 deletions, while the Total Growth Index had 133 additions and 172 deletions. The capitalization turnover ratios (one-sided) for the Total Value and Growth indices are 12.4% and 12.0%, respectively (see Chart 2). Although the turnover ratio for both indices is higher than that of last year, the ratio remains within the average range for the last five years. In terms of sector concentration in the Large Cap Index, "Electric Appliances" and "Construction" are now tilted toward Value, while the growth weighting of "Retail Trade" and "Pharmaceutical" increased (see Chart 3). The sector weight changes for the Small Cap Index differ from those of the Large Cap Index "Banks" and "Nonferrous Metals" are tilted toward Value, while "Information & Communication" and "Services" are tilted toward Growth.

Chart 1 Russell/Nomura Japan Equity Indexes



Note: Number of stocks as of November 20, 2018 following annual reconstitution

Chart 2 Rebalancing Summary

	No. of stocks					% of total market cap			Turnover ratio (one-sided)
	Pre	Post	Diff	Out	In	Pre	Post	Diff	
Total	1,589	1,600	11	89	100	100.00%	100.00%	-	1.8%
Value	1,122	1,108	-14	118	104	49.26%	51.25%	1.99%	12.4%
Growth	916	877	-39	172	133	50.74%	48.75%	-1.99%	12.0%
Large	350	350	0	24	24	84.60%	84.69%	0.09%	2.8%
Value	223	223	0	31	31	40.57%	41.95%	1.38%	12.9%
Growth	240	231	-9	42	33	44.03%	42.74%	-1.29%	12.4%
Small	1,239	1,250	11	112	123	15.40%	15.31%	-0.09%	11.2%
Value	899	885	-14	114	100	8.69%	9.30%	0.61%	17.4%
Growth	676	646	-30	159	129	6.71%	6.01%	-0.70%	24.6%
Prime	996	1,000	4	31	35	97.15%	97.08%	-0.07%	1.7%
Value	701	705	4	60	64	47.66%	49.57%	1.91%	12.4%
Growth	603	551	-52	112	60	49.50%	47.51%	-1.98%	11.9%

Note: "% of total market cap" based on share price as of October 15, 2018.

Turnover ratio (one-sided) is calculated: $[\sum | \text{market cap weighting before reconstitution} - \text{market cap weighting after reconstitution} | / 2]$

Chart 3 Change in Weighting by Sector in Russell/Nomura Style Indexes

	Total Value	Total Growth	Large Value	Large Growth	Small Value	Small Growth
FISHERY,AGRICULTURE & FORESTRY	0.0%	0.0%	-	-	-0.3%	0.5%
MINING	0.0%	-	0.0%	-	0.0%	-
CONSTRUCTION	1.0%	-1.0%	1.2%	-1.0%	-0.1%	-0.8%
FOODS	0.1%	0.1%	0.2%	0.2%	0.0%	-0.6%
TEXTILES & APPARELS	0.2%	-0.2%	0.2%	-	-0.2%	0.1%
PULP & PAPER	0.0%	0.0%	0.0%	-	-0.1%	0.1%
CHEMICALS	0.6%	-0.5%	0.6%	-0.6%	0.2%	-0.4%
PHARMACEUTICAL	-1.3%	1.4%	-1.3%	1.6%	-1.2%	-0.1%
OIL & COAL PRODUCTS	-0.1%	0.1%	0.0%	0.2%	-0.7%	-
RUBBER PRODUCTS	0.7%	-0.7%	0.8%	-0.9%	0.3%	0.3%
GLASS & CERAMICS PRODUCTS	0.1%	-0.1%	0.0%	0.1%	0.1%	-1.3%
IRON & STEEL	-0.1%	-	-0.1%	-	-0.2%	-
NONFERROUS METALS	0.1%	-0.2%	-0.2%	-	1.2%	0.0%
METAL PRODUCTS	0.2%	-0.2%	0.2%	-0.2%	0.0%	-0.1%
MACHINERY	0.5%	-0.4%	0.5%	-0.4%	0.6%	-0.5%
ELECTRIC APPLIANCES	2.0%	-1.0%	2.3%	-1.1%	0.6%	-1.6%
TRANSPORTATION EQUIPMENT	-0.5%	-0.8%	-0.4%	-0.9%	-0.3%	-0.1%
PRECISION INSTRUMENTS	0.0%	0.1%	-0.1%	0.1%	0.3%	0.5%
OTHER PRODUCTS	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
ELECTRIC POWER & GAS	-0.2%	0.0%	-0.2%	-	-0.1%	0.1%
LAND TRANSPORTATION	-0.4%	0.4%	-0.3%	0.6%	-0.4%	-1.3%
MARINE TRANSPORTATION	0.0%	-	-0.1%	-	0.4%	-
AIR TRANSPORTATION	0.1%	-0.2%	0.2%	-0.2%	-	-
WAREHOUSING & HARBOR TRANSPORTATION SERVICES	0.0%	0.0%	0.0%	-	-0.1%	0.0%
INFORMATION & COMMUNICATION	0.2%	0.3%	0.6%	-0.1%	-1.4%	2.9%
WHOLESALE TRADE	-0.7%	0.4%	-0.7%	0.3%	-0.9%	1.4%
RETAIL TRADE	-1.5%	1.6%	-1.9%	2.3%	0.2%	-2.3%
BANKS	-0.6%	0.0%	-1.1%	-	1.7%	-
SECURITIES & COMMODITY FUTURES	-0.3%	0.2%	-0.3%	-	-0.2%	0.4%
INSURANCE	-0.4%	0.1%	-0.4%	0.1%	0.0%	0.1%
OTHER FINANCING BUSINESS	-0.1%	0.1%	0.0%	0.1%	-0.5%	0.0%
REAL ESTATE	0.1%	-0.2%	0.1%	-0.2%	0.0%	-0.1%
SERVICES	0.4%	0.4%	0.3%	0.3%	1.1%	2.1%

Note: Based on the share price as of October 15, 2018. Highlighted in red are sectors whose weightings in Growth Index increased over 1%, while highlighted in blue are sectors whose weightings in Value Index increased over 1%.

Russell/Nomura Prime Index had 35 additions and 31 deletions

The Russell/Nomura Prime Index is a sub-index of the Russell/Nomura Total Market Index. The index was designed as a benchmark for passive management strategies for institutional investors and is composed of Japan's top 1,000 market cap stocks (float-adjusted). As a result of this year's reconstitution, the index had 35 additions and 31 deletions. The total market capitalization of the Prime Index is approximately 408 trillion yen (as of October 15, 2018, float-adjusted), and the turnover ratio (one-sided) of the index is 1.7%, maintaining a low level.

Twenty-three stocks entered the index for the first time, including 6 Services sector stocks and 4 Information & Communication sector stocks. All 23 new additions were all added to the Prime Growth Index.

About Russell/Nomura Japan Equity Indexes:

In 1995, FTSE Russell Indexes and Nomura Securities Co., Ltd. jointly developed the Russell/Nomura Japan Equity Indexes that serve to measure performance based on various investment policies. The indices are value weighted and include only common stocks domiciled in Japan. All indices are subsets of the Russell/Nomura Total Market Index, which represents approximately 98% of the investable Japan equity market.

The indices are reconstituted annually in order to accurately reflect changes in the Japanese marketplace. (The annual reconstitution for this year was implemented on Nov 20, 2018, after closing on Nov 19). Component stocks are determined based on the float-adjusted market capitalization as of 15 October each year (or the preceding business day if this is a non-business day).

Securities that leave the Russell/Nomura Indexes between reconstitution dates due to mergers, acquisitions or other similar corporate activity are not replaced. Thus, the number of securities in the indices over the year fluctuates according to corporate activity. The only additions between reconstitution dates are as a result of spin-offs and initial public offerings falling in the large segment (as determined by the latest reconstitution).

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Nomura

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