

Russell/Nomura Indexes Annual Reconstitution

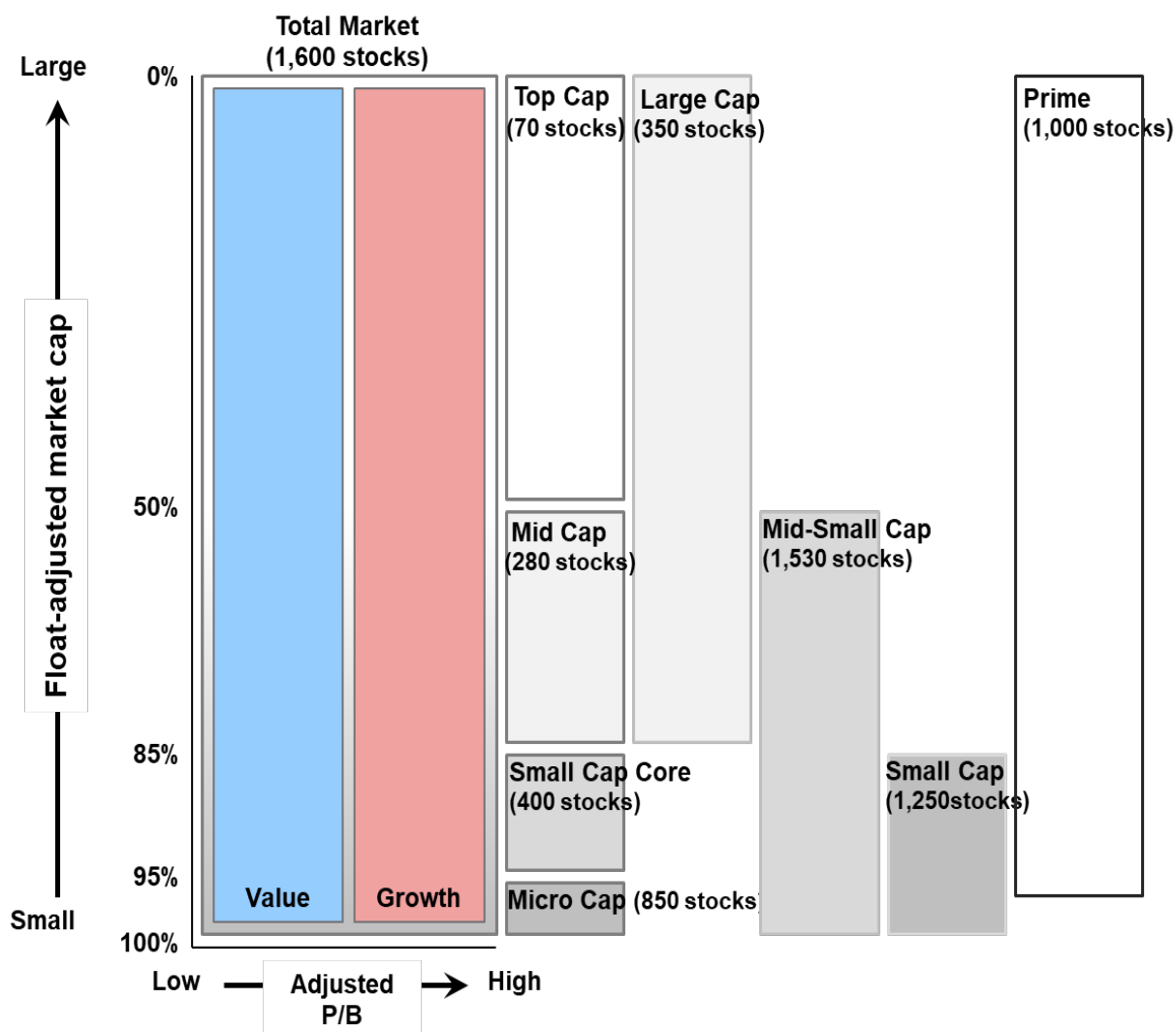
Tokyo, November 20, 2019—Nomura Securities Co., Ltd. and FTSE Russell Indexes today announced that the Russell/Nomura Japan Equity Indexes' annual reconstitution for 2019 has been implemented. The number of constituents in the Russell/Nomura Total Market Index, which captures 98% of the float-adjusted 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 90 additions and 80 deletions. The total capitalization of the Index was approximately 406 trillion yen (as of October 15, 2019; 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-indexes of the Large Cap Index, was about the same as last year. The number of stocks in the Small Cap Core Index decreased by 46 to 400 and the Micro Cap Index increased by 56 stocks to 850, both of which represent the bottom 15% of the Total Market Index (see Chart 1).

The Total Value Index had 115 additions and 76 deletions, while the Total Growth Index had 100 additions and 162 deletions. The capitalization turnover ratios (one-sided) for the Total Value and Growth indexes are 11.6% and 10.8%, respectively (see Chart 2). The turnover ratios for both indexes are lower than the historical average. In terms of sector concentration in the Large Cap Index, “Pharmaceutical” and “Information & Communication” are now tilted toward Value, while the growth weighting of “Electric Appliances” increased (see Chart 3). Changes in Value and Growth weights of the Small Cap Index are relatively small compared with last year.

Chart 1 Russell/Nomura Japan Equity Indexes



Note: Number of stocks as of November 20, 2019 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 | 1,590 | 1,600 | 10 | 80 | 90 | 100.00% | 100.00% | - | 1.9% |
| Value | 1,102 | 1,141 | 39 | 76 | 115 | 49.14% | 49.98% | 0.83% | 11.6% |
| Growth | 874 | 812 | -62 | 162 | 100 | 50.86% | 50.02% | -0.83% | 10.8% |
| Large | 350 | 350 | 0 | 17 | 17 | 85.46% | 85.34% | -0.12% | 2.7% |
| Value | 223 | 218 | -5 | 26 | 21 | 40.54% | 41.01% | 0.47% | 12.5% |
| Growth | 231 | 225 | -6 | 32 | 26 | 44.93% | 44.33% | -0.59% | 11.4% |
| Small | 1,240 | 1,250 | 10 | 97 | 107 | 14.54% | 14.66% | 0.12% | 9.1% |
| Value | 879 | 923 | 44 | 68 | 112 | 8.60% | 8.97% | 0.36% | 13.3% |
| Growth | 643 | 587 | -56 | 150 | 94 | 5.93% | 5.69% | -0.24% | 20.7% |
| Prime | 992 | 1,000 | 8 | 29 | 37 | 97.28% | 97.27% | -0.01% | 2.0% |
| Value | 700 | 708 | 8 | 44 | 52 | 47.56% | 48.31% | 0.74% | 11.7% |
| Growth | 548 | 528 | -20 | 81 | 61 | 49.71% | 48.96% | -0.75% | 10.8% |

Note: "% of total market cap" based on share price as of October 15, 2019.

Turnover ratio (one-sided) is calculated: $\frac{|\Sigma \text{ market cap weighting before reconstitution} - \text{market cap weighting after reconstitution}|}{2}$

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 | 0.1% | -0.1% | - | - | 0.4% | -0.6% |
| MINING | 0.0% | - | 0.0% | - | 0.0% | - |
| CONSTRUCTION | 0.1% | -0.2% | 0.0% | -0.1% | 0.6% | -0.6% |
| FOODS | -0.2% | 0.3% | -0.2% | 0.2% | -0.4% | 1.3% |
| TEXTILES & APPARELS | 0.0% | 0.0% | -0.1% | - | 0.1% | -0.2% |
| PULP & PAPER | 0.0% | 0.0% | 0.0% | - | -0.1% | 0.0% |
| CHEMICALS | -0.4% | 0.3% | -0.3% | 0.6% | -0.9% | -1.6% |
| PHARMACEUTICAL | 2.1% | -1.0% | 2.5% | -1.3% | 0.5% | 0.4% |
| OIL & COAL PRODUCTS | 0.2% | - | 0.1% | - | 0.3% | - |
| RUBBER PRODUCTS | -0.4% | 0.3% | -0.5% | 0.4% | 0.2% | -0.4% |
| GLASS & CERAMICS PRODUCTS | 0.1% | -0.2% | 0.0% | -0.2% | 0.9% | 0.0% |
| IRON & STEEL | 0.0% | - | -0.1% | - | 0.4% | - |
| NONFERROUS METALS | 0.0% | 0.0% | 0.0% | - | -0.1% | 0.0% |
| METAL PRODUCTS | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| MACHINERY | 0.8% | -0.7% | 1.0% | -0.8% | 0.1% | -0.3% |
| ELECTRIC APPLIANCES | -1.6% | 1.7% | -1.5% | 1.8% | -2.0% | 0.7% |
| TRANSPORTATION EQUIPMENT | -0.9% | 0.1% | -1.0% | 0.1% | -0.1% | -0.1% |
| PRECISION INSTRUMENTS | 0.0% | 0.1% | 0.0% | 0.1% | 0.0% | 0.3% |
| OTHER PRODUCTS | 0.0% | 0.1% | -0.1% | 0.1% | 0.1% | -0.1% |
| ELECTRIC POWER & GAS | -0.1% | 0.0% | -0.2% | 0.0% | 0.4% | 0.0% |
| LAND TRANSPORTATION | -1.2% | 1.0% | -1.4% | 1.0% | -0.3% | 1.0% |
| MARINE TRANSPORTATION | 0.0% | 0.0% | 0.0% | - | -0.1% | 0.1% |
| AIR TRANSPORTATION | 0.0% | 0.0% | 0.0% | -0.1% | - | - |
| WAREHOUSING & HARBOR TRANSPORTATION SERVICES | 0.0% | 0.0% | 0.0% | - | 0.1% | 0.0% |
| INFORMATION & COMMUNICATION | 2.4% | -2.6% | 3.1% | -2.8% | -0.4% | -1.5% |
| WHOLESALE TRADE | -0.2% | 0.2% | -0.3% | 0.3% | 0.0% | 0.1% |
| RETAIL TRADE | 0.1% | -0.1% | 0.0% | 0.0% | 0.3% | -0.6% |
| BANKS | -0.3% | 0.0% | -0.3% | - | 0.0% | 0.0% |
| SECURITIES & COMMODITY FUTURES | 0.1% | -0.1% | 0.1% | -0.1% | 0.1% | -0.1% |
| INSURANCE | -0.2% | 0.0% | -0.1% | 0.0% | - | 0.1% |
| OTHER FINANCING BUSINESS | 0.1% | -0.1% | -0.1% | -0.1% | 0.9% | 0.2% |
| REAL ESTATE | -0.8% | 0.7% | -0.9% | 0.8% | -0.4% | 0.6% |
| SERVICES | 0.1% | 0.3% | 0.2% | 0.1% | -0.3% | 1.3% |

Note: Based on the share price as of October 15, 2019. 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 37 additions and 29 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 37 additions and 29 deletions. The total market capitalization of the Prime Index is approximately 395 trillion yen (as of October 15, 2019, float-adjusted), and the turnover ratio (one-sided) of the index is 2.0%.

Twenty-eight stocks entered the index for the first time, including 10 Information & Communication sector stocks and 5 Service sector stocks.

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 indexes are value weighted and include only common stocks domiciled in Japan. All indexes are subsets of the Russell/Nomura Total Market Index, which represents approximately 98% of the investable Japan equity market.

The indexes are reconstituted annually in order to accurately reflect changes in the Japanese marketplace. (The annual reconstitution for this year was implemented on Nov 20, 2019, 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 indexes 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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