Oct. 11, 2022
JPX Market Innovation & Research, Inc.
Nikkei Inc.

Index Consultation on Revision to Guidebook for
JPX-Nikkei Mid and Small Cap Index

 JPX Market Innovation & Research, Inc. and Nikkei Inc. (hereinafter collectively referred to as the "Index Providers") are conducting an Index Consultation on the proposed revision to the guidebook for the JPX-Nikkei Mid and Small Cap Index as follows:

1. Reason for Proposed Revision

 The Index Providers started the calculation of the JPX-Nikkei Mid and Small Cap Index in March 2017 and applied the concept of the JPX-Nikkei Index 400, which is "the new stock index composed of 'companies with high appeal for investors', which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives" to mid- and small-cap equities by selecting companies that focus on capital efficiency and investor-oriented management, and aim to foster greater awareness of such issues among corporate executives. The Index will also aim to meet the needs of investors looking to invest in such companies.

 Currently, the JPX-Nikkei Mid and Small Cap Index is also used as the benchmark for passive investments. The Index Providers have proposed to revise the guidebook as follows, with the aim of further improving the functionality of this Index as an investable index by reducing the turnover at periodic reviews while maintaining continuity and the concept as described above.

2. Proposals
・The revision of removal criteria for constituents on the base date

Item to be revised	Current	After revision
III. JPX-Nikkei Mid and Small Cap Index Constituent Selection 1. (2) ⅲ	Of the issues that remain after ii., those that constitute the top 20% of market capitalization on the base date will be removed. However, for constituents of JPX-Nikkei Mid Small on the base date, the top **18%** will be	Of the issues that remain after ii., those that constitute the top 20% of market capitalization on the base date will be removed. However, for constituents of JPX-Nikkei Mid Small on the base date, the top **14%** will be

Item to be revised	Current	After revision
	removed.	removed.

3. Reference data

  As shown in the tables below, the Index Providers consider 14% to be appropriate for the removal criteria for constituents on the base date from the perspective of the concept of this index, maintaining continuity, and further improving the functionality of this index as a result of the estimated turnover in the periodic review.

＜FY2021＞

Removal criteria	Removal criteria (market capitalization level)	Turnover
18% (current criteria)	JPY 150 billion	26.8%
16%	JPY 180 billion	19.7%
14% (proposed criteria)	JPY 220 billion	16.9%
12%	JPY 290 billion	16.9%
10%	JPY 370 billion	16.7%

＜FY2022＞

Removal criteria	Removal criteria (market capitalization level)	Turnover
18% (current criteria)	JPY 140 billion	21.9%
16%	JPY 170 billion	20.2%
14% (proposed criteria)	JPY 220 billion	20.2%
12%	JPY 260 billion	20.2%
10%	JPY 340 billion	20.2%

* Both tables have been calculated using the figures used for each periodic review.

４. Timeline and related procedures

Date	Procedures
Oct. 11, 2022(Tue.) to Nov. 11, 2022 (Fri.)	Opinions gathered through Index Consultation *Opinions can be submitted via the official JPX website. Submissions must specify the following: (i) Name of submitter,

Date	Procedures
	(ii) Occupation of submitter,
	(iii) Name and business type of the corporation, organization, etc. to which the submitter belongs,
	(iv) Contact information (phone number and email address), and
	(v) Opinions on the proposed matter(s)
Around the end of November 2022 (tentative)	Final decision by the Index Providers *The Index Providers will make the final decision on the proposed matter(s) taking the opinions submitted into consideration. The finalized measures will be published on the Index Providers' official websites.

5. Implementation Date (tentative)

This revision will be implemented from the periodic review scheduled for August 2023.