



November 6, 2013

Japan Exchange Group, Inc.  
Nikkei, Inc.

## Start of Calculation and Publication of New Index “JPX-Nikkei Index 400”

As announced on July 30, Japan Exchange Group, Inc. and Tokyo Stock Exchange, Inc. (collectively, “the JPX group”) and Nikkei Inc. (“Nikkei”) are proceeding with the joint-development of a new index. Details regarding the index have been determined as below, and the index will start to be calculated from the beginning of the next year.

### 1. Aim of the Index

The new index will be 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. The new index will promote the appeal of Japanese corporations domestically and abroad, while encouraging continued improvement of corporate value, thereby aiming to revitalize the Japanese stock market.

### 2. Main Points of Index

(For details on constituent selection, calculation, etc., please refer to the [JPX-Nikkei Index 400 Guidebook](#).)

Name	JPX-Nikkei Index 400 Abbrev.: JPX-Nikkei 400
No. of Constituents	400 issues
Eligible Issues	TSE-listed issues (1st Section, 2nd Section, Mothers, JASDAQ)
Constituent Selection/Review Method	Constituent selection and review will be conducted as follows. [Selection Criteria] Constituents are selected according to the following process and criteria. (1) Screening ① Screening by Eligibility Criteria

<p style="text-align: center;">Constituent Selection/Review Method</p>	<p>Issues are excluded from selection if they fall under any of the following criteria.</p> <ul style="list-style-type: none"> <li>▪ Listed for under 3 years (excluding technical listings)</li> <li>▪ Liabilities in excess of assets during any of the past 3 fiscal years</li> <li>▪ Operating deficit in all of the past 3 fiscal years</li> <li>▪ Overall deficit in all of the past 3 fiscal years</li> <li>▪ Designation as Security to be Delisted, etc.</li> </ul> <p>② Screening by Market Liquidity Indicator</p> <p>The top 1000 issues will be selected from those eligible, excluding the above, in consideration of the following 2 items.</p> <ul style="list-style-type: none"> <li>▪ Trading value during the most recent 3 years</li> <li>▪ Market capitalization on the base date for selection</li> </ul> <p>(2) Scoring based on Quantitative Indicators</p> <p>The 1,000 issues selected in (1) will be scored according to the ranking of the following 3 items. (1<sup>st</sup>: 1000 points – 1000<sup>th</sup>: 1 point). Then, overall score is determined by aggregating those ranking scores with the following weights. (There are handling rules for the overall scoring with negative ROE and operating profit.)</p> <ul style="list-style-type: none"> <li>▪ 3-year average ROE: 40%</li> <li>▪ 3-year cumulative operating profit: 40%</li> <li>▪ Market capitalization on the base date for selection: 20%</li> </ul> <p>(3) Scoring based on Qualitative Factors</p> <p>Following the scoring in (2), issues will be further scored based on the following 3 items. This score is complementarily added to the quantitative scores explained above (2)*.</p> <ul style="list-style-type: none"> <li>▪ Appointment of Independent Outside Directors (at least 2)</li> <li>▪ Adoption or Scheduled Adoption of IFRS (pure IFRS)</li> <li>▪ Disclosure of English Earnings Information via TDnet (Company Announcements Distribution Service in English)</li> </ul> <p>* The score is determined so that at most around 10 constituents are different from those chosen with only quantitative score above (2).</p> <p>(4) Determination of Constituents</p> <p>Following scoring in (3), the 400 issues will be selected in descending order of high scores as constituents.</p>
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Constituent Selection/Review Method	<p>[Buffer Rule] A preferential rule for constituents of the prior year selection will be established.</p> <p>[Constituent Review] A constituent review will be conducted on the last business day of August each year with the last business day of June as the base date for selection.</p>
Calculation Method	Free-float adjusted market capitalization-weighted (with 1.5% cap)
Start of Calculation	<p>January 6, 2014 (Mon.)</p> <p>Real-time dissemination (per 1 sec.) of the index via Tokyo Stock Exchange's Market Information System</p>
Base Date/Value for Index Calculation	August 30, 2013 / 10,000 points

### 3. Index Constituents

The constituents when calculation begins (i.e. the selected issues for FY2013) will be as indicated on [Annex 1](#).

### 4. Use of the Index

A licensing agreement with the JPX group and Nikkei is required for usage of the index in the creation and sales of financial products and provision of the index to third parties.

Contact for queries regarding acquisition on index values and licensing agreements:

Tokyo Stock Exchange

Information Services Department

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### 5. Reference Information

For past values and graphs, etc., please refer to [Annex 2](#).

#### [Queries]

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