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Tokyo Stock Exchange, Inc.  
Nikkei Inc.

### Calculation of New Index - JPX-Nikkei Mid and Small Cap Index (tentative)

Tokyo Stock Exchange, Inc. (TSE) and Nikkei, Inc. (Nikkei) have agreed to launch a new index, "JPX-Nikkei Mid and Small Cap Index" (tentative name), based on the same concept as JPX-Nikkei Index 400. The new index will be comprised of equities with middle and small market capitalization, which make up the majority of listed companies in Japan, that are appealing to shareholders and aim at sustainably increasing corporate value.

TSE, its parent Japan Exchange Group, Inc., and Nikkei launched the JPX-Nikkei Index 400 in January 2014 as a stock index composed of highly attractive listed companies that focus on capital efficiency and investor-oriented management. With ETFs listed on markets across the world since index launch, the JPX-Nikkei Index 400 has been widely accepted by investors at home and abroad, and is used for fund management by publicly offered investment trusts and pension funds. We believe that the new index will similarly lead to the further development and vitalization of Japan's securities market.

We will maintain close communications with market participants as we proceed with index development with the aim of commencing calculation by the end of March 2017. The outline of the new index is as follows.

## Outline of New Index

<p><b>Positioning of the New Index</b></p>	<p>Japanese stock indices for mid and small cap equities are mostly based on indicators of liquidity, such as market capitalization and trading value, and it is not common to use capital efficiency and financial status as indicators for index constituent selection.</p> <p>The new index applies the concept of the JPX-Nikkei Index 400, which is an index comprised of highly attractive listed companies, 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.</p> <p>When selecting issues, we will also consider the liquidity of each issue in the market to facilitate the actual use of the new index for asset management.</p>
<p><b>Name</b></p>	<p>JPX-Nikkei Mid and Small Cap Index (tentative)</p>
<p><b>Constituent Selection Method</b></p>	<p>[Constituent Universe]</p> <p>Issues listed on JPX cash equity markets (TSE 1st and 2nd Sections, Mothers and JASDAQ)</p> <p>* Since the index targets mid and small cap equities, issues in the top 20% of market capitalization are excluded.</p> <p>[Selection Criteria]</p> <p>Like the JPX-Nikkei Index 400, constituent issues are selected based on comprehensive assessment of quantitative (ROE and operating income) and qualitative aspects.</p> <p>[Constituent Review]</p> <p>Constituents will be reviewed once a year as a general rule.</p>
<p><b>No. of Constituents</b></p>	<p>Approx. 200 constituents, to allow the index to sufficiently serve as an indicator of the market and facilitate its use in asset management.</p>
<p><b>Calculation</b></p>	<p>Free-float adjusted market capitalization-weighted</p>
<p><b>Constituent and Calculation Guidebook</b></p>	<p>A list of constituents and the constituent selection criteria are scheduled to be released by the end of 2016.</p>
<p><b>Calculation and Dissemination</b></p>	<p>Real-time dissemination (per sec.) via the Tokyo Stock Exchange Market Information System is scheduled to begin by the end of March 2017.</p>

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