



December 14, 2016  
 Tokyo Stock Exchange, Inc.  
 Nikkei, Inc.

## Start of Calculation and Publication of New Index “JPX-Nikkei Mid and Small Cap Index”

As announced on October 27, Tokyo Stock Exchange, Inc. (“TSE”) 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 next March.

### 1. Main Points of Index

(For details on constituent selection, calculation, etc., please refer to the JPX-Nikkei Mid and Small Cap Index Guidebook.)

Name	JPX-Nikkei Mid and Small Cap Index Abbrev.: JPX-Nikkei Mid Small
No. of Constituents	200 issues
Eligible Issues	Common stocks whose main market is the TSE 1st Section, 2nd Section, Mothers, or JASDAQ market
Constituent Selection/Review Method	<p>Constituent selection and review will be conducted as follows.</p> <p>[Selection Criteria]</p> <p>Constituents are selected according to the following process and criteria.</p> <p>(1) Screening</p> <p>① Screening by Eligibility Criteria</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 style="text-align: center;">Constituent Selection/Review Method</p>	<p>② Removal of large cap issues</p> <p>Issues constituting the top 20% of market capitalization on the base date shall be removed from ① above.</p> <p>Notwithstanding the foregoing, those in the top 18% that are issues eligible as constituents of JPX-Nikkei Mid and Small Cap Index on the base date shall be removed.</p> <p>③ Screening by Market Liquidity Indicator</p> <p>The issue under the 10 billion yen of the market capitalization on the base date and under 15 billion yen of trading value in the one year since the base date shall be removed from ② above.</p> <p>If the number of eligible stocks is fewer than 500 after above procedure, the market capitalization and trading value criteria are lowered by one billion respectively until the number of eligible stock is over 500.</p> <p>(2) Scoring based on Quantitative Indicators</p> <p>Each ranking score shall be given to the issues in (1) above according to the following items and overall score is calculated.</p> <ul style="list-style-type: none"> <li>▪ 3-year average ROE: 70%</li> <li>▪ 3-year cumulative operating profit: 30%</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. The score is determined so that at most around 10 constituents are different from those chosen with only quantitative score 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</li> <li>▪ Disclosure of English Earnings Information via TDnet (Company Announcements Distribution Service in English)</li> </ul>
<p style="text-align: center;">Constituent Selection/Review Method</p>	<p>(4) Determination of Constituents</p> <p>Following scoring in (3), the constituents of JPX-Nikkei Mid and Small Cap Index on the base date shall continue to be selected if they are ranked in the top 250. If the number of selected stocks falls below 200 as a result of the selection procedures indicated above, 200 issues will be selected in descending order of high scores as constituents.</p>

	[Constituent Review] Results of the constituent review become effective on the last business day of August each year with the last business day of June as the base date for selection.
Calculation Method	Free-float adjusted market capitalization-weighted (with 1.5% cap)
Start of Calculation	March 13, 2017 (Mon.) Real-time dissemination (per 1 sec.) of the index via Tokyo Stock Exchange's Market Information System
Base Date/Value for Index Calculation	August 31, 2016 (Wed.)/ 10,000 points

## 2. Index Constituents

The constituents when calculation begins (i.e. the selected issues for FY2016) will be as indicated on Annex 1.

## 3. Use of the Index

A licensing agreement with the TSE 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

[index-license@jpx.co.jp](mailto:index-license@jpx.co.jp)

## 4. Reference Information

For relevant data, etc., please refer to Annex 2.

### [Queries]

Japan Exchange Group, Inc.

Corporate Communications

TEL: +81-3-3666-1361

Email: [index@jpx.co.jp](mailto:index@jpx.co.jp)

Nikkei Inc.

Public Relations Office

TEL: +81-3-3270-0251

Email: [index@nex.nikkei.co.jp](mailto:index@nex.nikkei.co.jp)