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Russell and Nomura Introduce “Prime Index” Newly developed index suitable for passive investment

Russell Investment Group
Nomura Securities Co., Ltd.

Russell Investment Group, headquartered in Tacoma, Washington, USA and Nomura Securities Co., Ltd., headquartered in Tokyo, Japan, have developed a new Japan stock index, the RUSSELL/NOMURA Prime Index, which is well-suited as an underlying model for passive investment of Japanese equity.

In 1995, Russell and Financial & Economic Research Center of Nomura Securities Co., Ltd. (formerly Nomura Research Institute) jointly developed a family of Japan equity indexes, the RUSSELL/NOMURA Japan Indexes, which have been used by a broad range of investors as the first Japan equity indexes that provide both style indexes and adjustment for float (shares available for trading). The RUSSELL/NOMURA Japan indexes are frequently used as style benchmarks for evaluating the performance of small-cap, value, or growth investment strategies. This new index, RUSSELL/NOMURA Prime Index, as a member of the RUSSELL/NOMURA Japan Index family, is designed for passive investment strategies, which aim to closely track the performance of the underlying index. Listings of futures and exchange-traded funds (ETFs) also are anticipated.

The following are key characteristics of the RUSSELL/NOMURA Prime Index:

1. It represents Japan's top 1,000 stocks, determined by float-adjusted market capitalization.
2. It includes stocks from a broad universe of Japan equities, including those listed on JASDAQ, and does not limit membership to the first section of Tokyo Stock Exchange.
3. It adjusts index membership for float, or those shares that are available for trading.
4. It employs “banding” methods when membership is rebalanced at the annual reconstitution in order to control the frequent replacement caused by small fluctuations of market capitalization. Also, a “negative-list” method is used to manage the inclusion of stocks of especially low liquidity.
5. It continuously includes stocks that are tentatively unlisted due to mergers or equity transfers.

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