

April 10, 2026

Summary of Public Comments and Decision to Implement Partial Revisions to the Index Construction Rules of NFRC's Japan Equity Indexes

The Index Services Department of Nomura Fiduciary Research & Consulting Co., Ltd. invited comments for revisions to the index construction rules of NFRC's Japan equity indexes from January 30 to March 2, 2026. We would like to inform the result of the public comments and the revisions to the index construction rules with the outline below.

Implementation of Revision to Index Composition Rules

Taking into consideration the feedback we received and the fact that no comments expressing opposition or concern about the content of the revision were submitted, we have decided to implement the following revision to the index composition rules.

1. Subject Indexes

- Russell/Nomura Japan Equity Indexes
- Nomura Japan Equity Regional Indexes
- Nomura Japan Equity High Dividend SMART 50
- Nomura Japan Equity High Dividend 70
- Nomura Japan Equity High Dividend 70, Total Dividend Weighted
- Nomura Japan Equity High Dividend 70 Market Neutral Index
- Nomura Shareholder Yield 70
- Nomura Enterprise Value Allocation Index
- Nomura AI Companies 70
- Nomura Japan Equity Beta Select Index
- Nomura High-yield J-REIT Index
- The Yomiuri Stock Index

2. Comments received and our response

a. Corporate divestiture (Company/division spinoff)

Main comments received	Our response
If the stable shareholding ratio becomes negative as a result of the calculation, would the number of shares for index calculation purposes be increased by the amount reduced through the spinoff (i.e., the parent's share count would not be reduced until the spinoff company is listed)?	The stable shareholding ratio will be calculated with negative values permitted.
If the adjustment is made using the parent's share count, that portion will be affected by movements in the parent's share price. By contrast, a fund would value the shares allocated through the spin-off as a stock whose price does not move until listing, which would result in tracking error. Although this is expected to converge once the spinoff company is listed, the concern is that it could become a source of temporary tracking error.	As you point out, if the adjustment is made through the stable shareholding ratio, the market capitalization of the new stock—which should in principle remain fixed—may be affected by changes in the share price of the existing constituent, and this could give rise to temporary tracking error. We will continue to consider adopting a method to fix the market capitalization of the new stock, such as the use of a dummy stock, while taking technical constraints into account.

b. Stocks on special alert

Main comments received	Our response
There are pros and cons to each approach with respect to the timing of exclusion—whether a stock should be removed promptly after being designated as a Stock on special alert, or removed at the next periodic review by excluding it from the eligible universe for that review.	With respect to immediate removal following such designation, we believe it is necessary to take into account the impact of concentrated trading in the market. On the other hand, limiting removal to the once-a-year timing of the periodic reconstitution could result in continued inclusion for up to approximately one year after designation as a Stock on special alert, which raises concerns from the perspective of timeliness. Accordingly, after considering the balance between these factors, we have decided to remove such stocks at the four annual review points, namely the periodic reconstitution and the unscheduled reconstitution.
We believe that immediate removal from the index constituents, rather than simply exclusion from the selection universe, should also be considered.	

Main comments received	Our response
<p>How will a stock be treated if it is designated as (or removed from) Stocks on special alert status during the period between the periodic reconstitution base date and the periodic reconstitution date?</p>	<p>This will be determined based on its status as of the periodic constitution base date. Accordingly, if a stock is designated as a Stock on special alert during the period between the periodic reconstitution base date and the periodic reconstitution date, it will be judged based on whether it remains so designated as of the next reconstitution base date.</p>
<p>We believe investor protection would be further enhanced if a mechanism were introduced to exclude a stock even before it is designated as a Stock on special alert, based on factors such as material misstatements in its annual securities report or an adverse opinion issued by its audit firm.</p>	<p>We will continue to consider this matter, taking technical constraints into account.</p>

3. Revisions

The following changes and additions will be made to the Index Construction Rulebook for the affected indexes:

a. Russell/Nomura Japan Equity Indexes

- Corporate divestiture (Company/division spinoff)

Current rules				New rules			
7.2 Adjusting the base market cap				7.2 Adjusting the base market cap			
	Change in capital structure	Adjustment date	Share price used		Change in capital structure	Adjustment date	Share price used
Corporate reorganization	Corporate divestiture (Company/division spinoff)	Ex-rights date	Not used ³⁵	Corporate reorganization	Corporate divestiture (Company/division spinoff) (Existing constituents)	Ex-rights date	See note ³⁵
					Corporate divestiture (Company/division spinoff) (Newly listed constituents)	Listing date of newly listed constituents	Previous day's price
						Listing date	Offering price

Current rules	New rules
(New)	<p>7.3.5 Corporate divestiture (Company/division spinoff)</p> <p>If a corporate divestiture (company/division spinoff) occurs for an existing constituent, the new constituent will be included on the date it is listed on the Japanese equity market. If the ex-rights date of the existing constituent differs from the listing date of the new stock, the stable shareholding ratio of the existing constituent is deemed to be adjusted on the ex-rights date and on the listing date of the new issue as follows:</p> <p>Stable shareholding ratio of the existing constituent on the ex-rights date</p> $= (\text{Stable shareholding ratio}_t \times \text{Number of shares outstanding for index calculation purposes}_t - \frac{\text{The reduction in capital}_t}{\text{Nomura composite price}_t}) \div (\text{Number of shares outstanding for index calculation purposes}_t - \frac{\text{The reduction in capital}_t}{\text{Nomura composite price}_t})$ <p>Stable shareholding ratio of the existing constituent on the listing date</p> $= \text{Stable shareholding ratio}_t$ <p>Where t indicates the calculation base date of the reduction in capital.</p> <p>At the time the newly listed constituent is included, its stable shareholding ratio, Value/Growth probability, and size are deemed to be the same as those of the existing constituent as of the listing date of the newly listed constituent. In addition, the industry classification of the newly listed constituent is determined in accordance with the classification of its listing market.</p>

● Stocks on special alert

Current rules	New rules								
(New)	3.4 Universe Stocks on special alert Stocks on special alert are not included in the universe.								
(New)	6.2 Stocks removed from special alert For stocks removed from special alert, the date of removal is deemed to be the new listing date, and the stocks are treated in the same manner as newly listed stocks under 6.1.								
6.2 Response to stock swaps, stock transfers, mergers, etc. ²²	6.3 Response to stock swaps, stock transfers, mergers, etc. ²²								
6.2.1 Stock swaps, absorption-type mergers	6.3.1 Stock swaps, absorption-type mergers								
6.2.2 Stock transfers, consolidation-type mergers	6.3.2 Stock transfers, consolidation-type mergers								
6.3 Removal of stocks	6.4 Removal of stocks								
6.3.1 Designation as securities to be delisted ²⁴	6.4.1 Designation as securities to be delisted ²⁴								
6.3.2 Delisting	6.4.2 Delisting								
(New)	6.4.3 Stocks on special alert Stocks on special alert on "Determination date" in the figure below are removed from the index on removal date. <table border="1" data-bbox="810 1317 1404 1639"> <thead> <tr> <th>Determination Date</th> <th>Removal date</th> </tr> </thead> <tbody> <tr> <td>End-April</td> <td>First business day of June</td> </tr> <tr> <td>End-July</td> <td>First business day of September</td> </tr> <tr> <td>End-January</td> <td>First business day of March</td> </tr> </tbody> </table>	Determination Date	Removal date	End-April	First business day of June	End-July	First business day of September	End-January	First business day of March
Determination Date	Removal date								
End-April	First business day of June								
End-July	First business day of September								
End-January	First business day of March								
6.3.3 Marked loss of eligibility for inclusion in universe	6.4.4 Marked loss of eligibility for inclusion in universe								
6.3.4 Exclusions between regular reconstitutions for Prime Index stocks ²⁶	6.4.5 Exclusions between regular reconstitutions for Prime Index stocks ²⁶								

b. The Yomiuri Stock Index

● Corporate divestiture (Company/division spinoff)

Current rules	New rules
<p>4.1.3 Corporate divestiture (Company/division spinoff)</p> <p>If a corporate divestiture (company/division spinoff) occurs for an existing constituent, the newly listed constituent is deemed to be included in the index on the date it is listed on the Japanese equity market.</p> <p>However, if the newly listed constituent does not satisfy the prescribed market capitalization criteria on the first weight adjustment date following the listing date, it is deemed to be removed on the corresponding weight adjustment date.</p>	<p>4.1.3 Corporate divestiture (Company/division spinoff)</p> <p>If a corporate divestiture (company/division spinoff) occurs for an existing constituent, the newly listed constituent is deemed to be included in the index on the date it is listed on the Japanese equity market. The inclusion ratios of the existing constituent and the newly listed constituent at the time of inclusion are determined so that the combined index market capitalization of the existing constituent and the newly listed constituent remains unchanged before and after the event. In addition, the industry classification of the newly listed constituent is determined in accordance with the classification of its listing market.</p> <p>However, on the weight adjustment date corresponding to the first weight adjustment base date that falls on or after the date on which the corporate divestiture (company/division spinoff) occurred, the following actions will be taken:</p> <ul style="list-style-type: none"> ● The newly listed constituent is deemed to be included in the universe set forth in 2.2. ● Any newly listed constituent or existing constituent that does not satisfy both of the following criteria within the universe as of the weight adjustment base date is deemed to be removed: <ul style="list-style-type: none"> - ranked within the top 600 by average daily trading value over the most recent 60 trading days; and - ranked within the top 333 by average float-adjusted market capitalization over the most recent 20 trading days.

Current rules				New rules			
4.2.3 Stocks nonconformity with the definition of the universe				4.2.4 Stocks nonconformity with the definition of the universe			
5.4 Adjusting the base market cap				5.4 Adjusting the base market cap			
	Change in capital structure	Adjustment date	Share price used		Change in capital structure	Adjustment date	Share price used
Corporate reorganization	Corporate divestiture (Company /division spinoff)	Ex-rights date	Not used ¹⁷	Corporate reorganization	Corporate divestiture (Company /division spinoff) (Existing constituents)	Ex-rights date	See note ¹⁷
					Corporate divestiture (Company /division spinoff) (Newly listed constituents)	Listing date of newly listed constituents	Previous day's price
					Corporate divestiture (Company /division spinoff) (Newly listed constituents)	Listing date	Offering price

- Stocks on special alert

Current rules	New rules
(New)	2.2 Universe Stocks on special alert Stocks on special alert are not included in the universe.
(New)	2.2.2 Stocks removed from special alert With stocks removed from special alert, the date of removal is deemed to be the new listing date, and the stocks are treated in the same manner as newly listed stocks under 2.2.1.
(New)	4.2.3 Stocks on special alert Stocks on special alert on the weight adjustment base date are removed from the relevant weight adjustment.

c. Other indexes

- Corporate divestiture (Company/division spinoff)

Current rules			New rules		
(New)			Corporate divestiture (Company/division spinoff) If a corporate divestiture (company/division spinoff) occurs for an existing constituent, the newly listed constituent is deemed to be included in the index on the date it is listed on the Japanese equity market. The inclusion ratios of the existing constituent and the newly listed constituent at the time of inclusion are determined so that the combined index market capitalization of the existing constituent and the newly listed constituent remains unchanged before and after the event. In addition, the industry classification of the newly listed constituent is determined in accordance with the classification of its listing market.		
Adjusting the base market cap			Adjusting the base market cap		
Change in capital structure	Adjustment date	Share price used	Change in capital structure	Adjustment date	Share price used
Corporate divestiture (Company /division spinoff)	Ex-rights date	Not used	Corporate divestiture (Company /division spinoff) (Existing constituents)	Ex-rights date	See note
				Listing date of newly listed constituents	Previous day's price
			Corporate divestiture (Company /division spinoff) (Newly listed constituents)	Listing date	Offering price

- Stocks on special alert

Current rules	New rules
(New)	Universe <ul style="list-style-type: none"> ● Stocks on special alert Stocks on special alert are not included in the universe.

4. Effective date

The revisions will be effective as of May 11, 2026.

Contact

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