

Annex 6. Outline of JPX-Nikkei Mid and Small Cap Index (Please refer to the guidebook for more details.)

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"> ▪ Listed for under 3 years (excluding technical listings) ▪ Liabilities in excess of assets during any of the past 3 fiscal years ▪ Operating deficit in all of the past 3 fiscal years ▪ Overall deficit in all of the past 3 fiscal years ▪ Designation as Security to be Delisted, etc. <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>

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Constituent Selection/Review Method	<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"> ▪ 3-year average ROE: 70% ▪ 3-year cumulative operating profit: 30% <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"> ▪ Appointment of Independent Outside Directors (at least 2) ▪ Adoption or Scheduled Adoption of IFRS ▪ Disclosure of English Earnings Information via TDnet (Company Announcements Distribution Service in English) <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> <p>[Constituent Review]</p> <p>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. (The result of the constituent review will be announced on the 5th business day of August)</p>
Calculation Method	Free-float adjusted market capitalization-weighted (with 1.5% cap)
Start of Calculation	<p>March 13, 2017 (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 31, 2016 (Wed.)/ 10,000 points