

FY22 handbook

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[Japan index products](#)

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This report constitutes the Russell/Nomura Japan Equity Indexes FY22 handbook.

Russell/Nomura Japan Equity Indexes have the following characteristics:

- They are share price indexes that are weighted by free-float adjusted market capitalization and cover the top 98% of all listed stocks in terms of float-adjusted market capitalization, thereby offering broad market coverage.
- Stocks are chosen from the whole Japanese stock market.
- Because the indexes take into consideration the stable shareholding ratio, they reflect the stocks that are actually available for investment.
- There are style indexes for large and small companies and for value and growth stocks.
- The Prime Index consists of the top 1,000 stocks in the Total Market Index by market cap excluding stable shareholdings.
- Stocks are selected quantitatively based on clearly defined criteria.
- The composition of each index is reviewed once a year.

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1. Introduction

The Russell/Nomura Japan Equity Indexes are Japanese equity indexes developed jointly by Frank Russell Company and the Global Research Division, Financial Engineering & Technology Research Center, Nomura Securities Co., Ltd.

Russell/Nomura Japan Equity Indexes should be useful in:

- Determining investment strategies (strategic asset allocation)
- Determining manager structures
- Devising asset management benchmarks
- Supporting portfolio management activities
- Evaluating the performance of various investment styles
- Managing risk

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- Stocks are chosen from the whole Japanese stock market¹⁾
- Because the indexes take into consideration the stable shareholding ratio, they reflect the stocks that are actually available for investment
- There are style indexes for large and small companies and for value and growth stocks
- The Prime Index consists of the top 1,000 stocks in the Total Market Index by market cap excluding stable shareholdings
- Stocks are selected quantitatively based on clearly defined criteria
- The composition of each index is reviewed once a year

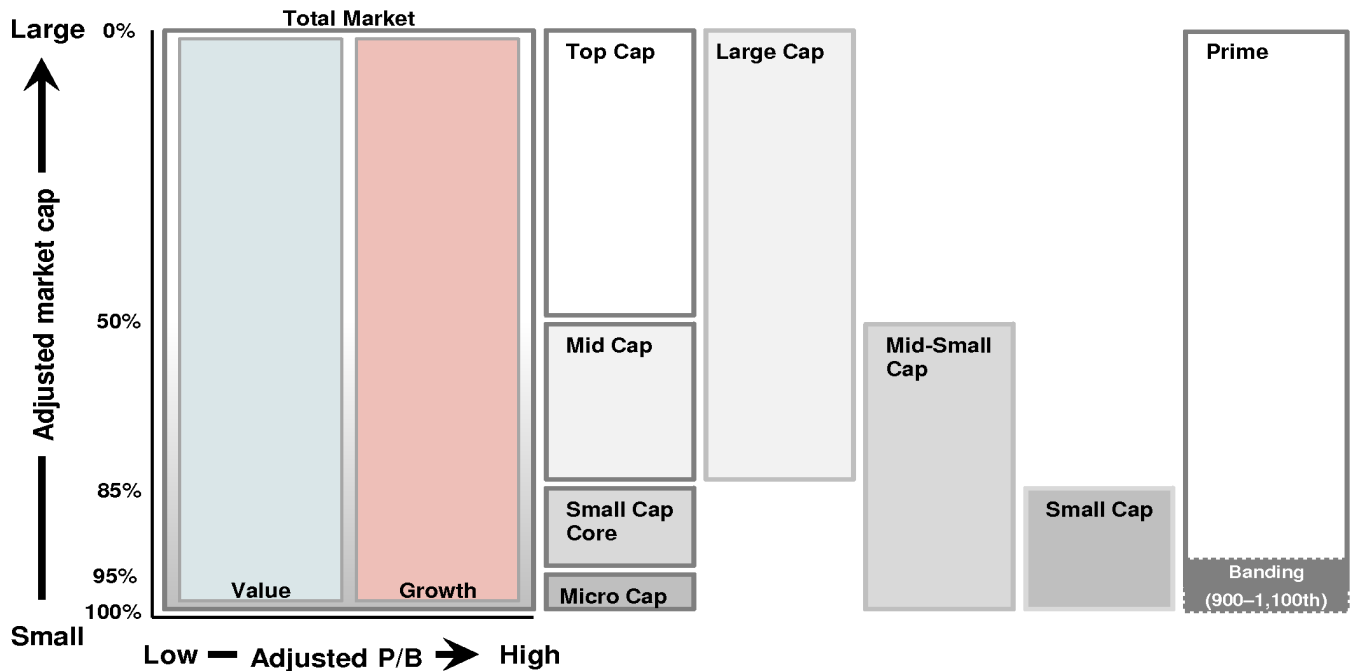
Complete details of rules for the Russell/Nomura Japan Equity Index can be found in the Russell/Nomura Japan Equity Index Rulebook.

1. Tokyo Stock Exchange (Prime Market, Standard Market, Growth Market, TOKYO PRO Market), Nagoya Stock Exchange, Sapporo Securities Exchange, and Fukuoka Stock Exchange.

2. Russell/Nomura Japan Equity Indexes

The Russell/Nomura Japan Equity Indexes cover the top 98% of stocks listed on all markets in terms of float-adjusted market value. Size-based and investment style indexes are published separately as subindexes. Stocks are divided between the size-based indexes on the basis of their float-adjusted market capitalization, while the adjusted market capitalization of constituent stocks is divided between Value and Growth investment style indexes on the basis of their adjusted P/B ratios.

Fig. 1: Russell/Nomura Japan Equity Indexes



Source: Nomura

- The Russell/Nomura Total Market Index contains the top 98% of all stocks listed on Japan's stock exchanges in terms of float-adjusted market capitalization
- The Russell/Nomura Large Cap Index contains the top 85% of the Russell/Nomura Total Market Index in terms of float-adjusted market capitalization
- The Russell/Nomura Small Cap Index contains the bottom 15% of the Russell/Nomura Total Market Index in terms of float-adjusted market capitalization
- The Russell/Nomura Top Cap Index contains the top 50% of the Russell/Nomura Total Market Index in terms of float-adjusted market capitalization
- The Russell/Nomura Mid Cap Index contains the middle 35% of the Russell/Nomura Total Market Index in terms of float-adjusted market capitalization
- The Russell/Nomura Mid-Small Cap Index contains the bottom 50% of the Russell/Nomura Total Market Index in terms of float-adjusted market capitalization
- The Russell/Nomura Small Cap Core Index comprises stocks in the Small Cap Index, excluding the Micro Cap Index, and represents the bottom 15% of the Russell/Nomura Total Market Index in terms of float-adjusted market capitalization minus the bottom 5%
- The Russell/Nomura Micro Cap Index contains the bottom 5% of the Russell/Nomura Total Market Index in terms of float-adjusted market capitalization
- The Russell/Nomura Prime Index contains the top 1,000 stocks in the Total Market Index in terms of float-adjusted market capitalization, taking into account "banding" and the "negative list"

3. Russell/Nomura Japan Equity Indexes: composition

3.1. Number of stocks and market capitalization

Figure 2 shows the number and market capitalization of the stocks in the Russell/Nomura Total Market Index and in the total market.

Fig. 2: Russell/Nomura Total Market Index and the total market

	Number of stocks		Market cap (¥trn)		
	R/N	Total market	Russell/Nomura (adjusted for stable shareholdings)	Russell/Nomura (not adjusted for stable shareholdings)	Total market (not adjusted for stable shareholdings)
TSE-1	1,392	2,182	506	746	758
Other	108	1,707	6	13	28
Total	1,500	3,889	511	759	786

Note: Market cap data as of 19 Nov 2021. The Russell/Nomura Total Market Index (Russell/Nomura) is as of the Nov 2021 regular reconstitution. Market selection was the TSE, followed by the Nagoya Stock Exchange, the Fukuoka Stock Exchange, and the Sapporo Securities Exchange, in that order.

Source: Nomura

Figure 3 shows the number of stocks for each index as of the date of its regular reconstitution, together with the percentage of total market capitalization, and the market capitalization of the largest and smallest stocks.

Fig. 3: Number of stocks in each index and % of total market capitalization

Index	Number of stocks	% of total market cap	Market cap of largest and smallest stock (¥100mn)	
			Largest	Smallest
Total Market	1,500	100.0%	175,454	80
Value	1,113	47.4%	131,130	8
Growth	746	52.6%	158,883	8
Large	300	85.1%	175,454	2,455
Large Value	194	38.0%	131,130	131
Large Growth	195	47.1%	158,883	152
Top	60	52.1%	175,454	17,128
Top Value	34	21.6%	131,130	6,340
Top Growth	44	30.5%	158,883	1,080
Mid	240	33.0%	22,679	2,455
Mid Value	160	16.4%	17,608	131
Mid Growth	151	16.6%	22,679	152
Mid-Small	1,440	47.9%	22,679	80
Mid-Small Value	1,079	25.7%	17,608	8
Mid-Small Growth	702	22.2%	22,679	8
Small	1,200	14.9%	3,425	80
Small Value	919	9.3%	2,707	8
Small Growth	551	5.6%	3,425	8
Small Core	400	10.2%	3,425	534
Small Core Value	293	6.2%	2,707	36
Small Core Growth	216	4.0%	3,425	47
Micro	800	4.7%	947	80
Micro Value	626	3.2%	700	8
Micro Growth	335	1.5%	947	8
Prime	1,000	97.9%	175,454	208
Prime Value	727	45.9%	131,130	29
Prime Growth	533	51.9%	158,883	15

Note: Based on constituent stocks as of regular reconstitutions in Nov 2021. Market cap data as of 19 Nov 2021. Number of stocks for Value and Growth indexes is the number of stocks for which all or part of the market capitalization is allocated to the Value or Growth indexes. Market cap of stocks in Value and Growth indexes is the market capitalization for these stocks that is allocated to the Value or Growth indexes.

Source: Nomura

3.2. Number of stocks as of date of regular reconstitution

Figure 4 shows the number of stocks in each index as of the date of past regular reconstitutions.

Fig. 4: Number of constituent stocks

Date (yyymm)	Total	Value		Large	Small	Prime
		Value	Growth			
198101	1,091	656	713	400	691	—
198201	1,091	708	642	400	691	—
198301	1,091	766	592	400	691	—
198401	1,091	738	630	400	691	—
198501	1,104	706	672	400	704	—
198601	1,142	733	762	400	742	—
198701	1,142	833	672	400	742	—
198801	1,199	860	765	400	799	—
198901	1,267	877	778	400	867	—
199001	1,381	827	972	500	881	—
199101	1,561	920	1,118	500	1,061	—
199201	1,585	1,017	1,070	500	1,085	—
199301	1,586	1,092	954	500	1,086	—
199401	1,586	1,118	940	500	1,086	—
199501	1,749	1,111	1,090	500	1,249	—
199601	1,754	1,191	1,006	500	1,254	—
199701	1,854	1,251	1,082	500	1,354	—
199801	1,854	1,575	701	500	1,354	1,000
199901	1,854	1,584	616	500	1,354	1,000
200001	1,854	1,551	656	500	1,354	1,000
200101	1,854	1,544	642	500	1,354	1,000
200202	1,853	1,573	578	300	1,553	1,000
200212	1,500	1,225	527	300	1,200	1,000
200312	1,600	1,233	677	350	1,250	1,000
200412	1,700	1,231	796	400	1,300	1,000
200512	1,799	1,218	915	400	1,399	1,000
200612	1,700	1,241	766	350	1,350	1,000
200712	1,500	1,164	668	300	1,200	1,000
200812	1,400	1,111	519	300	1,100	1,000
200912	1,500	1,139	669	350	1,150	1,000
201012	1,400	1,081	589	300	1,100	1,000
201112	1,400	1,044	719	350	1,050	1,000
201212	1,500	1,159	712	350	1,150	1,000
201312	1,400	1,043	686	300	1,100	1,000
201412	1,500	1,103	806	350	1,150	1,000
201512	1,400	1,000	760	350	1,050	1,000
201611	1,500	1,104	801	350	1,150	1,000
201711	1,600	1,132	919	350	1,250	1,000
201811	1,600	1,108	877	350	1,250	1,000
201911	1,600	1,141	812	350	1,250	1,000
202011	1,600	1,228	813	350	1,250	1,000
202111	1,500	1,113	746	300	1,200	1,000

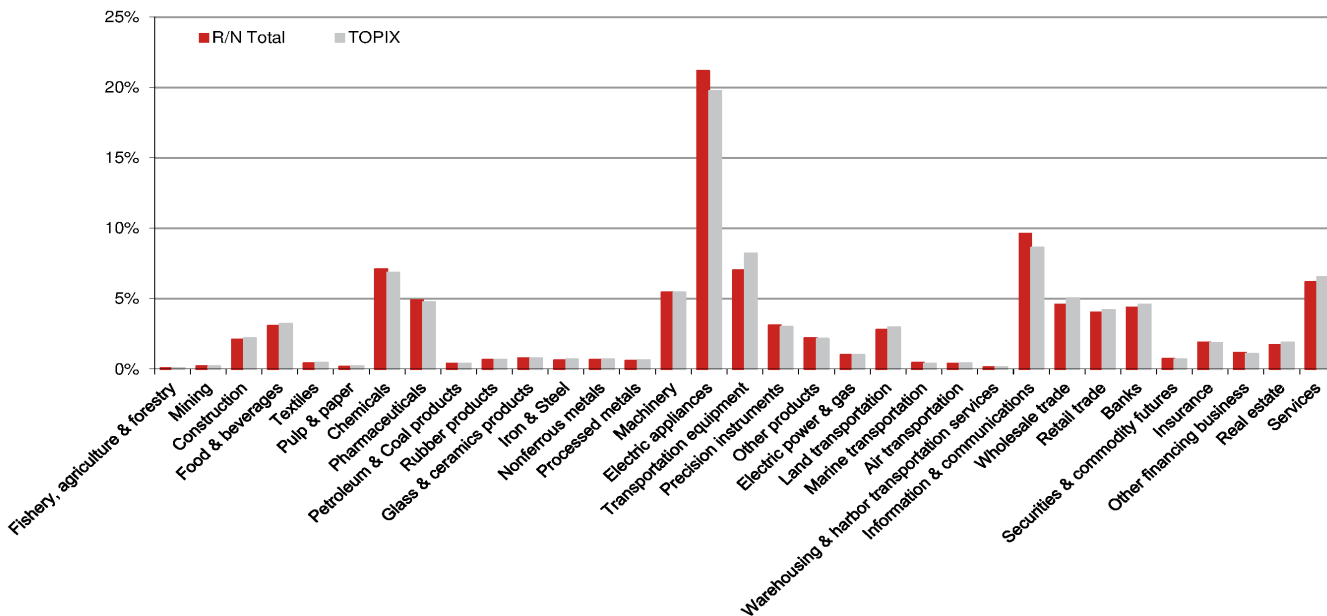
Note: As of regular reconstitution date each year.

Source: Nomura

3.3. Sector allocation

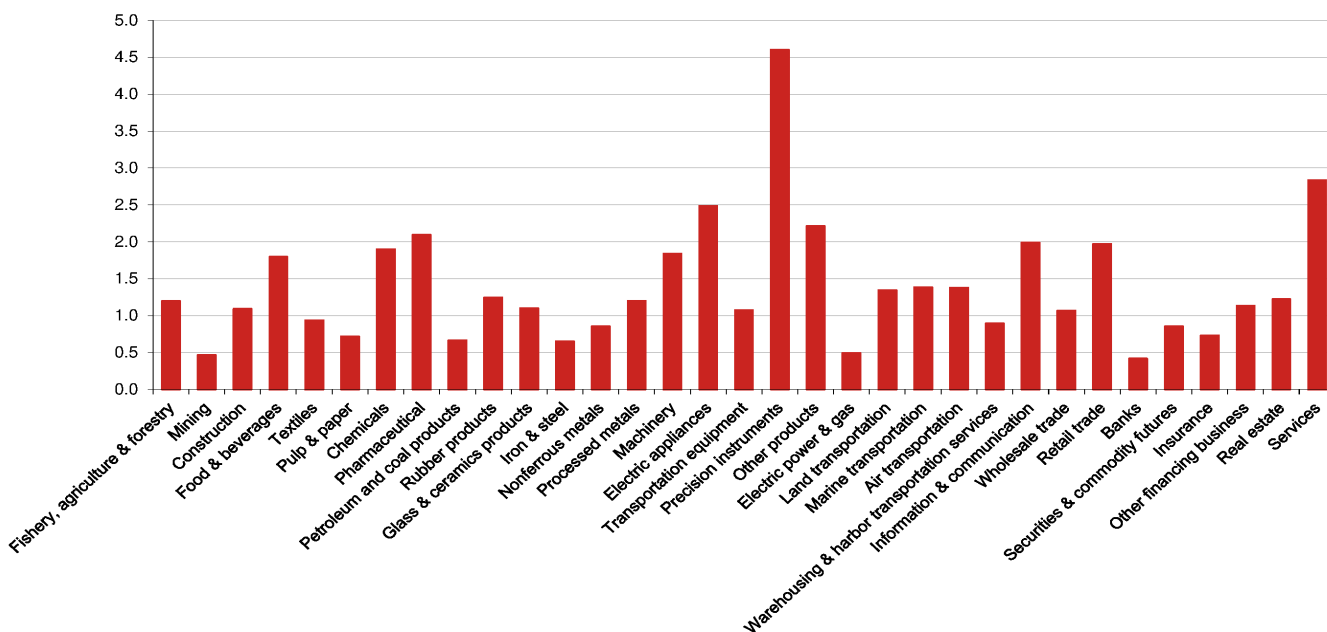
Figure 5 shows the percentage of Russell/Nomura Total Market Index market capitalization in each of 33 sectors. Compared with the TOPIX, the Russell/Nomura Total Market Index is more heavily weighted toward the electric appliances sector and the information & communications sector and less heavily weighted toward the transportation equipment sector.

Fig. 5: Sector allocation of Russell/Nomura Total Market Index and TOPIX



Note: Figures for Russell/Nomura Total Market Index are based on constituent stocks as of the regular reconstitution date in Nov 2021. Market cap data as of 19 Nov 2021. Source: Nomura

Fig. 6: Average adjusted P/B ratio by sector for the Russell/Nomura Total Market Index



Note: Figures for Russell/Nomura Total Market Index are based on constituent stocks as of the regular reconstitution date in Nov 2021. Market cap data as of 15 Oct 2021, the date of determination for the regular reconstitution. Average adjusted P/B = [sum of share prices of stocks included] / [sum of BPS adjusted for unrealized gains/losses of stocks included]. Source: Nomura

3.4. Top 10 stocks by market capitalization

Figure 7 shows the top 10 stocks by weighting in each index.

Fig. 7: Top 10 stocks by weighting in each index

Rank	TOP	TOP Value	TOP Growth
1	6758 Sony Group	7203 Toyota Motor	6758 Sony Group
2	7203 Toyota Motor	9984 SoftBank Group	6861 Keyence
3	6861 Keyence	8306 Mitsubishi UFJ Financial Group	6098 Recruit Holdings
4	6098 Recruit Holdings	9432 Nippon Telegraph and Telephone	8035 Tokyo Electron
5	8035 Tokyo Electron	7267 Honda Motor	4063 Shin-Etsu Chemical
6	9984 SoftBank Group	8316 Sumitomo Mitsui Financial Group	7741 Hoya
7	9432 Nippon Telegraph and Telephone	8058 Mitsubishi Corp	6367 Daikin Industries
8	8306 Mitsubishi UFJ Financial Group	4502 Takeda Pharmaceutical	7974 Nintendo
9	4063 Shin-Etsu Chemical	8031 Mitsui & Co	6594 Nidec
10	7741 Hoya	8766 Tokio Marine Holdings	6981 Murata Manufacturing
Rank	Mid	Mid Value	Mid Growth
1	1925 Daiwa House Industry	8053 Sumitomo Corp	6869 Sysmex
2	6869 Sysmex	1925 Daiwa House Industry	6920 Lasertec
3	4578 Otsuka Holdings	4578 Otsuka Holdings	6857 Advantest
4	6920 Lasertec	8604 Nomura Holdings	8113 Unicharm
5	6502 Toshiba	8725 MS&AD Insurance Group Holdings	7832 Bandai Namco Holdings
6	6857 Advantest	8630 Sompo Holdings	9983 Fast Retailing
7	8053 Sumitomo Corp	5401 Nippon Steel	2802 Ajinomoto
8	7269 Suzuki Motor	7269 Suzuki Motor	9843 Nitori Holdings
9	9735 Secom	8002 Marubeni	9613 NTT Data
10	8113 Unicharm	6701 NEC	8697 Japan Exchange Group
Rank	Small Core	Small Core Value	Small Core Growth
1	3635 Koei Tecmo Holdings	3401 Teijin	3635 Koei Tecmo Holdings
2	8088 Iwatani	5233 Taiheiyō Cement	9706 Japan Airport Terminal
3	3401 Teijin	8369 Bank of Kyoto	6754 Anritsu
4	9706 Japan Airport Terminal	3099 Isetan Mitsukoshi Holdings	8876 Relo Group
5	2871 Nichirei	4902 Konica Minolta	4587 PeptiDream
6	5233 Taiheiyō Cement	5711 Mitsubishi Materials	6967 Shinko Electric Industries
7	9045 Keihan Holdings	4088 Air Water	7780 Menicon
8	6754 Anritsu	3086 J.Front Retailing	7550 Zensho Holdings
9	8369 Bank of Kyoto	9533 Toho Gas	6849 Nihon Kohden
10	3099 Isetan Mitsukoshi Holdings	5334 NGK Spark Plug	7164 Zenkoku Hoshō
Rank	Micro	Micro Value	Micro Growth
1	9517 eREX	8806 Daibiru	9517 eREX
2	2678 Askul	8098 Inabata & Co., Ltd.	2678 Askul
3	8806 Daibiru	4634 Toyo Ink Sc Holdings	6289 Giken
4	6960 Fukuda Denshi	8358 Suruga Bank	6366 Chiyoda
5	6235 Optorun	6737 Eizo	8715 Anicom Holdings
6	8098 Inabata & Co., Ltd.	8511 Japan Securities Finance	4180 Appier Group
7	4634 Toyo Ink Sc Holdings	4044 Central Glass	6235 Optorun
8	8358 Suruga Bank	8050 Seiko Holdings	7630 Ichibanya
9	6737 Eizo	2659 San-A	4970 Toyo Gosei
10	8511 Japan Securities Finance	8130 Sangetsu	4722 Future Corporation
Rank	Prime	Prime Value	Prime Growth
1	6758 Sony Group	7203 Toyota Motor	6758 Sony Group
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10	7741 Hoya	8766 Tokio Marine Holdings	6981 Murata Manufacturing

Note: As of 15 Oct 2021, the date of determination for the regular reconstitution.

Source: Nomura

4. Performance analysis

4.1. Annual returns

Fig. 8: Annual returns on individual indexes

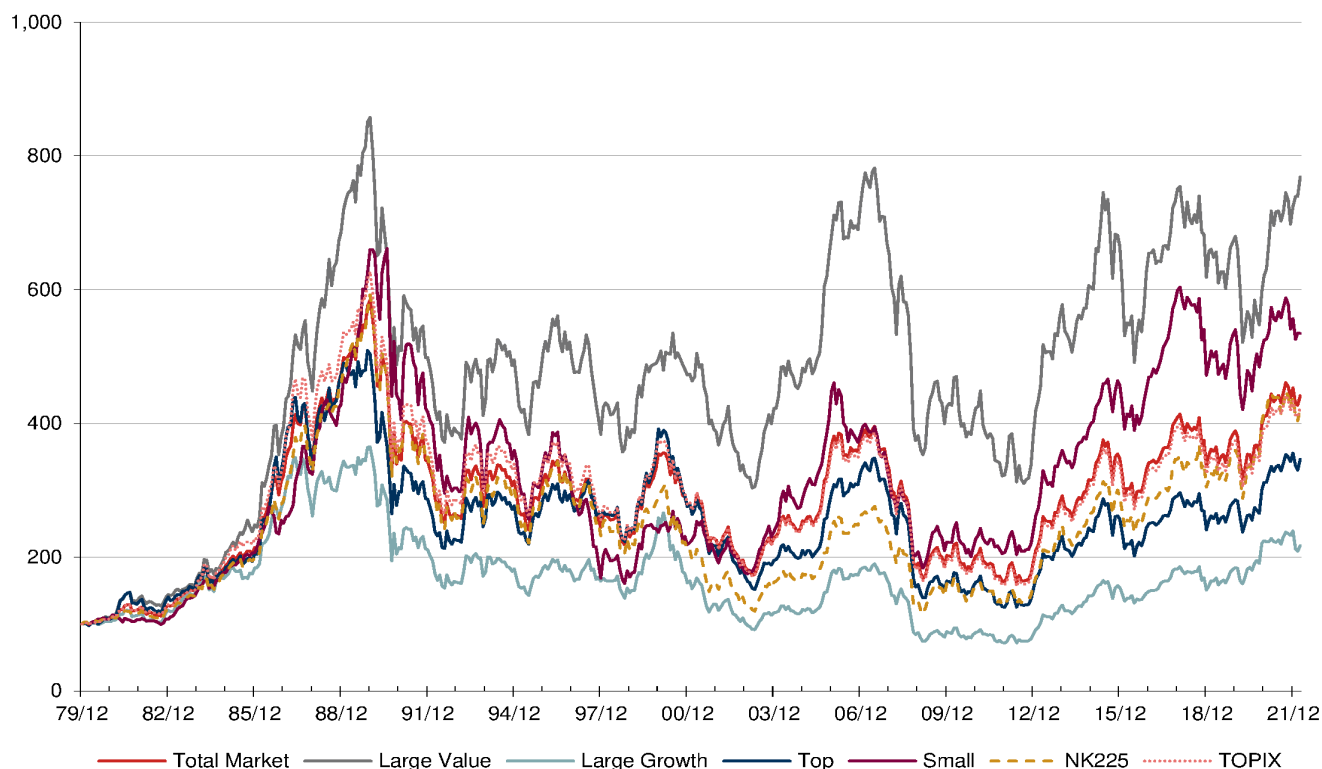
Index	Excluding dividends					Including dividends				
	1 yr	2 yrs	5 yrs	10 yrs	Jan 2001–	1 yr	2 yrs	5 yrs	10 yrs	Jan 2001–
Total Market	-0.07%	17.67%	6.27%	9.67%	3.68%	2.34%	19.92%	8.57%	11.86%	5.50%
Value	5.15%	19.08%	4.40%	8.60%	4.48%	8.40%	22.09%	7.35%	11.25%	6.57%
Growth	-4.26%	16.27%	8.21%	10.85%	2.93%	-2.78%	17.70%	9.86%	12.58%	4.47%
Large	0.99%	18.47%	6.73%	9.74%	3.36%	3.39%	20.71%	9.07%	11.97%	5.20%
Large Value	7.38%	20.64%	4.95%	8.67%	4.01%	10.70%	23.75%	8.00%	11.39%	6.13%
Large Growth	-3.77%	16.58%	8.49%	10.88%	2.93%	-2.29%	18.00%	10.14%	12.62%	4.49%
Top	3.75%	19.93%	7.75%	9.85%	2.72%	6.05%	22.21%	10.22%	12.25%	4.67%
Top Value	11.45%	23.06%	6.55%	9.11%	3.40%	14.67%	26.24%	9.78%	12.07%	5.65%
Top Growth	-1.49%	17.99%	9.34%	10.87%	2.54%	0.01%	19.49%	11.13%	12.78%	4.24%
Mid	-2.94%	16.50%	5.30%	9.66%	4.42%	-0.33%	18.72%	7.43%	11.62%	6.08%
Mid Value	2.36%	17.64%	2.74%	8.07%	4.72%	5.86%	20.62%	5.52%	10.47%	6.68%
Mid Growth	-7.64%	14.23%	7.17%	10.89%	3.66%	-6.13%	15.58%	8.63%	12.41%	5.02%
Mid-Small	-4.01%	15.44%	4.78%	9.53%	4.76%	-1.46%	17.63%	6.89%	11.50%	6.45%
Mid-Small Value	-0.08%	15.73%	2.51%	8.19%	5.36%	3.19%	18.59%	5.19%	10.55%	7.31%
Mid-Small Growth	-7.91%	14.06%	6.89%	10.84%	3.51%	-6.44%	15.39%	8.34%	12.35%	4.87%
Small	-6.50%	13.01%	3.63%	9.38%	5.63%	-4.12%	15.17%	5.73%	11.40%	7.38%
Small Value	-4.48%	12.33%	2.04%	8.45%	6.45%	-1.64%	14.92%	4.52%	10.76%	8.41%
Small Growth	-8.66%	13.71%	5.97%	10.93%	3.38%	-7.24%	15.02%	7.41%	12.44%	4.73%
Small Core	-7.06%	13.21%	3.46%	9.25%	5.27%	-4.72%	15.31%	5.55%	11.24%	6.99%
Small Core Value	-5.70%	13.25%	1.86%	8.18%	6.10%	-2.89%	15.79%	4.34%	10.44%	8.02%
Small Core Growth	-7.57%	12.71%	5.73%	10.93%	3.28%	-6.11%	14.04%	7.20%	12.49%	4.66%
Micro	-5.37%	12.68%	4.03%	9.75%	6.32%	-2.90%	14.91%	6.12%	11.79%	8.12%
Micro Value	-2.15%	10.80%	2.47%	9.05%	7.08%	0.77%	13.48%	4.98%	11.40%	9.11%
Micro Growth	-11.68%	15.64%	6.46%	11.00%	3.62%	-10.34%	16.91%	7.80%	12.40%	4.90%
Prime	0.05%	17.81%	6.34%	9.68%	3.63%	2.47%	20.05%	8.64%	11.87%	5.45%
Prime Value	5.37%	19.38%	4.44%	8.60%	4.40%	8.62%	22.40%	7.42%	11.27%	6.50%
Prime Growth	-4.21%	16.23%	8.27%	10.84%	2.94%	-2.71%	17.66%	9.92%	12.57%	4.48%
TOPIX	0.10%	17.38%	6.11%	9.57%	3.44%	2.54%	19.64%	8.43%	11.77%	5.26%

Note: As of end-Mar 2022. Returns are annualized and based on average monthly yen-based returns for each period.

Source: Nomura

4.2. Performance

Fig. 9: Index performance



Note: Shows monthly index values (yen basis, excluding dividends) in Dec 1979–Mar 2022, rebased so that end-Dec 1979 = 100.
Source: Nomura

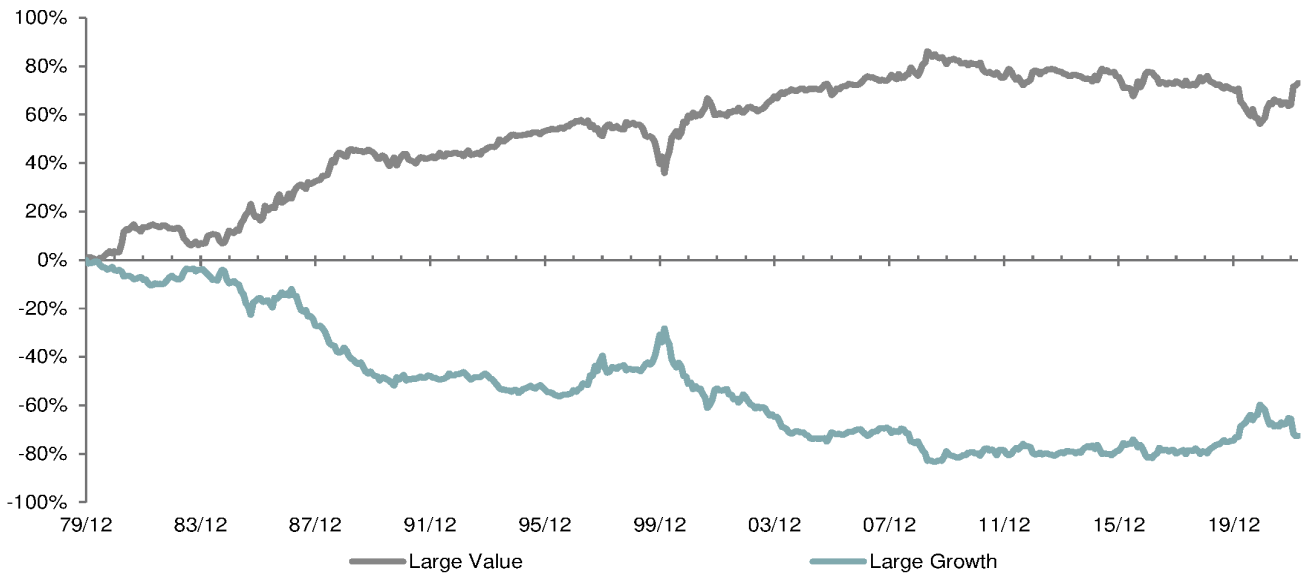
Fig. 10: Average returns, standard deviation, and correlation coefficients

	Average return	Standard deviation	R/N	TOPIX	Nikkei 225
R/N	5.11%	17.76%	1		
TOPIX	5.07%	18.09%	0.9950	1	
Nikkei 225	5.33%	19.41%	0.9619	0.9608	1

Note: Russell/Nomura is Russell/Nomura Total Market Index. Based on monthly returns (yen basis, excluding dividends) in Jan 1980–Mar 2022. Average return and standard deviation data are annualized.
Source: Nomura

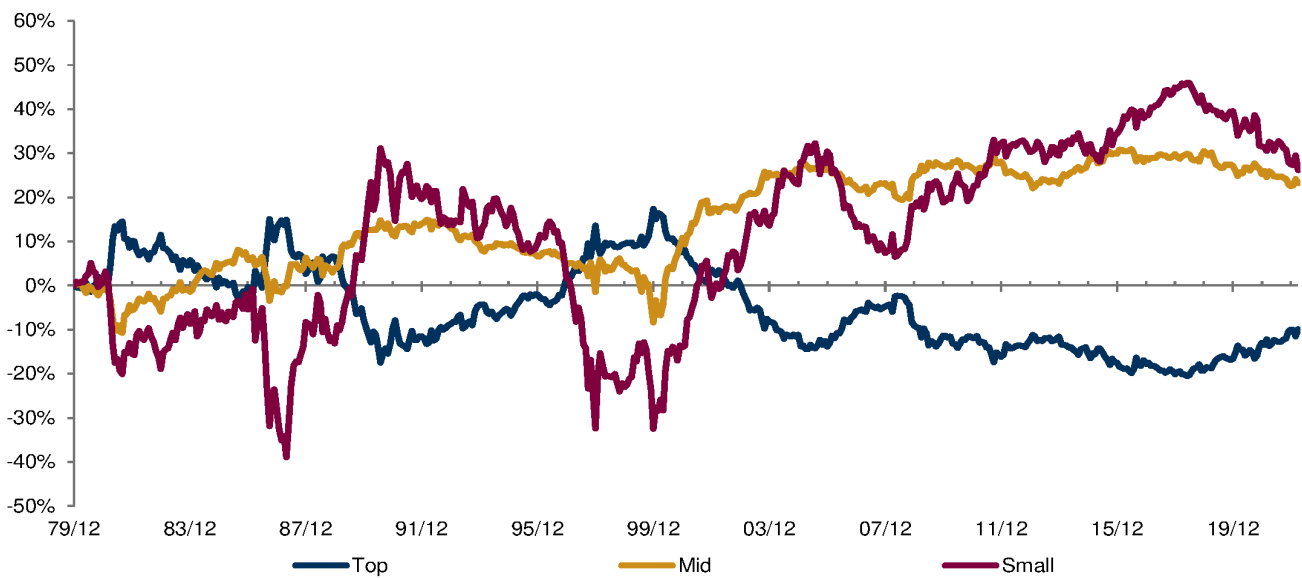
4.3. Relative performance of style indexes

Fig. 11: Cumulative excess returns on value and growth indexes



Note: Shows cumulative excess monthly returns (including dividends) on each index versus the Russell/Nomura Total Market Index, Jan 1980–Mar 2022.
Source: Nomura

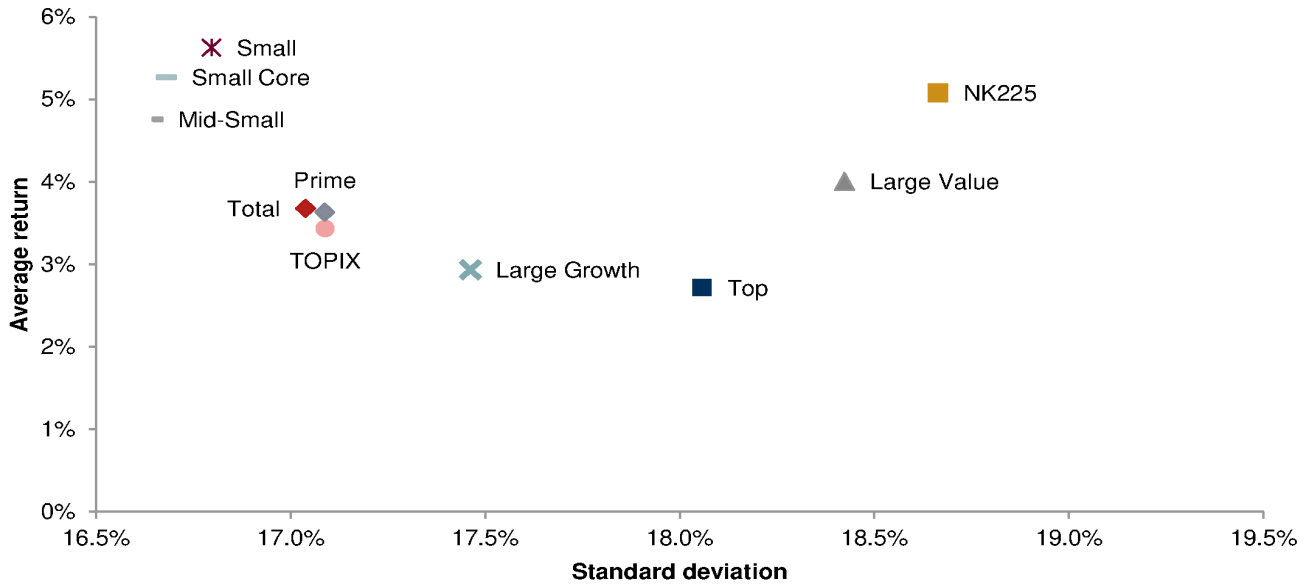
Fig. 12: Cumulative excess returns on size-based indexes



Note: Shows cumulative excess monthly returns (including dividends) on each index versus the Russell/Nomura Total Market Index, Jan 1980–Mar 2022.
Source: Nomura

4.4. Risk-return characteristics of individual indexes

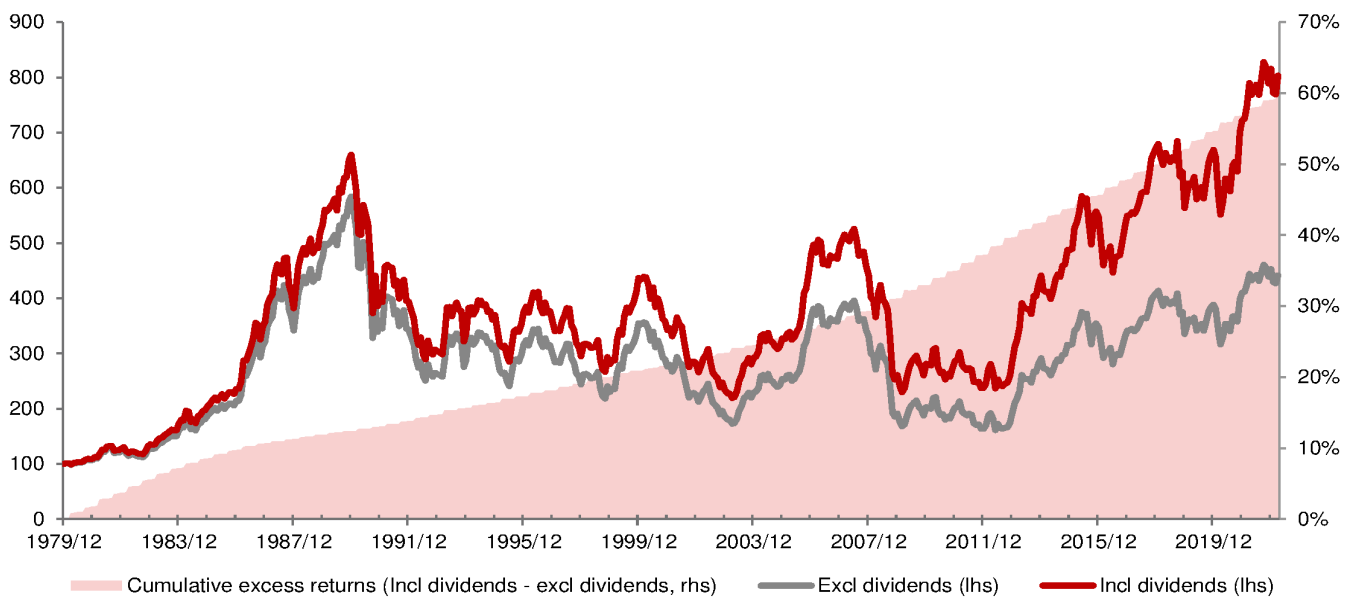
Fig. 13: Average return and standard deviation of individual indexes



Note: Shows average returns and standard deviation on annualized basis, calculated from monthly returns (excluding dividends) in Jan 2001–Mar 2022.
Source: Nomura

4.5. Impact of dividends

Fig. 14: Impact of dividends on performance of Russell/Nomura Total Market Index



Note: Shows monthly values of Russell/Nomura Total Market Index in Dec 1979–Mar 2022, rebased so that end-Dec 1979 = 100. Cumulative excess returns are the sum of index returns (including dividends) in excess of index returns (excluding dividends).
Source: Nomura

5. Index investability

5.1. Turnover ratios as of regular reconstitutions

Figure 15 shows turnover ratios as of the date of regular reconstitutions.

Fig. 15: Turnover ratios at time of regular reconstitutions

Date (yyyymm)	Total			Large	Small	Prime
		Value	Growth			
198101	2.4%	11.2%	12.9%	3.5%	13.1%	—
198201	2.1%	15.7%	17.8%	3.1%	12.1%	—
198301	2.1%	15.2%	15.1%	3.1%	13.5%	—
198401	2.6%	14.2%	15.6%	4.3%	16.2%	—
198501	2.9%	16.3%	19.1%	4.1%	17.5%	—
198601	3.7%	15.6%	16.7%	4.8%	16.2%	—
198701	2.3%	17.5%	17.7%	3.3%	18.4%	—
198801	3.5%	12.4%	16.9%	5.1%	16.8%	—
198901	3.7%	17.1%	22.1%	4.9%	15.8%	—
199001	3.0%	15.9%	18.2%	7.2%	27.3%	—
199101	3.4%	19.0%	20.8%	4.6%	20.9%	—
199201	1.9%	13.1%	13.5%	3.1%	13.6%	—
199301	1.9%	12.0%	12.8%	3.2%	13.3%	—
199401	1.5%	11.7%	12.2%	2.6%	12.0%	—
199501	3.3%	13.6%	17.0%	4.0%	15.4%	—
199601	2.2%	13.1%	13.6%	2.5%	9.8%	—
199701	2.2%	18.0%	19.2%	2.3%	10.7%	—
199801	1.4%	18.4%	14.8%	2.5%	16.6%	1.4%
199901	3.1%	12.9%	14.2%	4.1%	12.3%	3.0%
200001	3.4%	31.3%	25.5%	5.4%	31.8%	3.5%
200101	2.8%	18.6%	21.3%	3.8%	18.3%	2.7%
200202	2.5%	16.7%	16.2%	7.6%	43.0%	2.4%
200212	3.3%	15.5%	13.5%	4.7%	15.8%	2.2%
200312	2.5%	19.6%	20.7%	4.6%	20.2%	2.1%
200412	3.5%	17.5%	20.9%	4.9%	18.9%	3.4%
200512	3.2%	21.0%	22.8%	3.8%	15.8%	3.1%
200612	2.5%	18.6%	17.6%	3.1%	16.4%	2.5%
200712	1.8%	20.5%	20.8%	3.5%	18.8%	1.7%
200812	1.6%	29.3%	31.7%	3.8%	17.6%	1.7%
200912	1.6%	26.8%	26.5%	4.2%	21.6%	1.5%
201012	1.8%	14.5%	14.6%	3.1%	15.8%	1.8%
201112	1.6%	16.2%	15.7%	4.6%	20.6%	1.5%
201212	1.9%	13.2%	11.7%	2.7%	11.9%	1.7%
201312	1.6%	16.1%	16.5%	3.2%	20.1%	1.7%
201412	1.7%	11.9%	11.7%	3.9%	19.0%	1.5%
201512	1.7%	13.1%	13.3%	2.7%	12.2%	1.7%
201611	1.3%	14.6%	13.9%	2.3%	12.9%	1.1%
201711	1.6%	9.2%	9.7%	2.2%	9.9%	1.5%
201811	1.8%	12.5%	12.2%	2.8%	10.9%	1.8%
201911	2.0%	11.8%	10.8%	2.7%	9.1%	2.0%
202011	2.1%	16.8%	16.9%	3.1%	12.4%	2.2%
202111	1.7%	11.0%	11.7%	3.6%	18.4%	1.7%
Average	2.4%	16.3%	16.9%	3.8%	16.8%	2.1%

Note: Turnover ratio is $[\sum | \text{market cap weighting before reconstitution} - \text{market cap weighting after reconstitution} | / 2]$, based on share price on business day before regular reconstitution. The figures thus show one-way turnover for an index fund constructed using the full replication approach. A change in all of the constituent stocks would give a turnover ratio of 100%.

Source: Nomura

5.2. Estimated number of days' impact in the case of regular reconstitutions

Figure 16 shows the estimated number of days' impact in the case of regular reconstitutions for passive funds that track each index using the full replication approach. The higher the turnover ratio on the date of the regular reconstitution, and the greater the number of stocks with low liquidity that are added, the greater the number of days' impact.

Fig. 16: No. of days' impact in case of regular reconstitutions

Index	No. of days of impact Maximum (days)	Turnover ratio (one-way)	Index market cap (¥trn)	Number of stocks				
				Before	After	Change	OUT	IN
Total Market	1	1.7%	511	1,588	1,500	-88	154	66
Value	2	11.0%	242	1,218	1,113	-105	169	64
Growth	1	11.7%	269	806	746	-60	155	95
Large	1	3.6%	435	349	300	-49	58	9
Large Value	1	13.7%	194	242	194	-48	60	12
Large Growth	1	12.3%	241	213	195	-18	43	25
Top	1	4.3%	266	60	60	0	4	4
Top Value	1	13.1%	111	38	34	-4	6	2
Top Growth	1	15.0%	156	39	44	5	7	12
Mid	1	11.4%	169	289	240	-49	62	13
Mid Value	1	18.2%	84	204	160	-44	58	14
Mid Growth	1	19.4%	85	174	151	-23	44	21
Mid-Small	2	4.8%	245	1,528	1,440	-88	158	70
Mid-Small Value	4	11.3%	132	1,180	1,079	-101	167	66
Mid-Small Growth	2	16.3%	113	767	702	-65	156	91
Small	7	18.4%	76	1,239	1,200	-39	163	124
Small Value	10	18.6%	48	976	919	-57	153	96
Small Growth	7	30.6%	28	593	551	-42	150	108
Small Core	11	28.5%	52	395	400	5	80	85
Small Core Value	14	26.5%	32	305	293	-12	72	60
Small Core Growth	5	40.2%	21	210	216	6	56	62
Micro	20	21.1%	24	844	800	-44	178	134
Micro Value	28	21.3%	16	671	626	-45	143	98
Micro Growth	20	35.7%	8	383	335	-48	141	93
Prime	1	1.7%	501	992	1,000	8	28	36
Prime Value	1	10.8%	235	758	727	-31	60	29
Prime Growth	1	11.8%	266	521	533	12	57	69

Note: Based on constituent stocks as of regular reconstitution in Nov 2021. Market cap data as of 19 Nov 2021. We estimated the number of days' impact (maximum) for each index as the number of days required for a scheduled reconstitution of a ¥100bn passive fund that tracks the index using the full replication approach, based on $[\max(|\text{market cap before reconstitution} - \text{market cap after reconstitution}| / \text{average daily trading value})]$. Average daily trading value is the average over the year to 15 Oct 2021, the date of determination for the regular reconstitution of the Russell/Nomura indexes. Turnover ratio is $[\sum |\text{market cap weighting before reconstitution} - \text{market cap weighting after reconstitution}| / 2]$.

Source: Nomura

5.3. Estimating number of days of impact and minimum unit of investment when a fund is established

Figure 17 shows the minimum unit of investment and number of days of impact when passive funds are established that track indices using the full replication approach.

The minimum unit of investment is calculated as shown below. Our calculation assumes at least 50% of shares in a stock trading unit are included, as we round up for incomplete trading units.

$$\text{Minimum unit of investment} = \max_{i=1..n} \left\{ \frac{\text{trading unit } i \times 50\% \times \text{transaction price}_i}{\text{index weighting}_i} \right\}$$

Here, the notation "n" represents the number of stocks in the index and the notation "i" indicates the i^{th} stock in the index.

As the minimum unit of investment is calculated by dividing the minimum investment amount for each constituent stock by its weighting, the smaller the minimum investment amount for the constituent stock, or the larger its weighting, the smaller the minimum unit of investment will be. The method for calculating the number of impact days is the same as in 5.2.

Fig. 17: Number of days of impact and minimum unit of investment when a fund is established

Index	No. of days of impact Maximum (days)	Minimum unit of investment (¥100mn)	Index market cap (¥trn)	Number of stocks
Total Market	1	285	511	1,500
Value	2	300	242	1,113
Growth	2	388	269	746
Large	1	19	435	300
Large Value	1	56	194	194
Large Growth	1	22	241	195
Top	1	2	266	60
Top Value	1	1	111	34
Top Growth	1	1	156	44
Mid	1	7	169	240
Mid Value	1	24	84	160
Mid Growth	1	8	85	151
Mid-Small	2	137	245	1,440
Mid-Small Value	3	163	132	1,079
Mid-Small Growth	3	164	113	702
Small	6	42	76	1,200
Small Value	8	59	48	919
Small Growth	10	41	28	551
Small Core	2	5	52	400
Small Core Value	2	33	32	293
Small Core Growth	4	7	21	216
Micro	18	13	24	800
Micro Value	22	20	16	626
Micro Growth	36	11	8	335
Prime	1	65	501	1,000
Prime Value	1	244	235	727
Prime Growth	1	238	266	533

Note: Based on constituent stocks as of regular reconstitution in Nov 2021. Market cap data as of 19 Nov 2021. We estimated the number of days' impact (maximum) for each index as the number of days required for a scheduled reconstitution of a ¥100bn passive fund that tracks the index using the full replication approach, based on $[\max (| \text{market cap before reconstitution} - \text{market cap after reconstitution} | / \text{average daily trading value})]$. Average daily trading value is the average over the year to 15 Oct 2021, the date of determination for the regular reconstitution of the Russell/Nomura indexes. Turnover ratio is $[\Sigma | \text{market cap weighting before reconstitution} - \text{market cap weighting after reconstitution} | / 2]$.

Source: Nomura

6. Data publication services

Data for the Russell/Nomura Japan Equity Indexes can be obtained via the following channels.²⁾

Index values are published in the following media:

- Bloomberg (RNJI)
- Jiji (RNSI/12400, RNSIIDV/12400)
- QUICK (NRIJ500–503, 510–517)
- Reuters (FRCNRI01, FRCNRI02, FRCNRI03, FRCNRI04, .JRNP, .JRNS)
- Our website (<http://qr.nomuraholdings.com/en/frcnri/index.html>)

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- Bloomberg (RNPJ <INDEX>)
- Jiji (RNP/NOMURA)
- QUICK (140)

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- QUICK (130)

More detailed data

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For information, contact:

Nomura Research Institute
Investment Information Systems Business Department
E-mail: ids-sales@nri.co.jp

Other reports

Russell/Nomura Japan Equity Indexes rulebook

Russell/Nomura Japan Equity Indexes - Performance summary (monthly reports)

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Appendix A-1

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As at 31 March 2022.

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When Japanese government bonds (JGBs) for individual investors are purchased via public offerings, only the purchase price shall be paid, with no sales commission charged. As a rule, JGBs for individual investors may not be sold in the first 12 months after issuance. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted from the par value of the bond plus accrued interest: (1) for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used, (2) for 5-year and 3-year fixed rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used.

When inflation-indexed JGBs are purchased via public offerings, secondary distributions (uridashi deals), or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Inflation-indexed JGBs carry the risk of losses, as prices fluctuate in line with changes in market interest rates and fluctuations in the nationwide consumer price index. The notional principal of inflation-indexed JGBs changes in line with the rate of change in nationwide CPI inflation from the time of its issuance. The amount of the coupon payment is calculated by multiplying the coupon rate by the notional principal at the time of payment. The maturity value is the amount of the notional principal when the issue becomes due. For J117 and subsequent issues, the maturity value shall not undercut the face amount. Purchases of investment trusts (and sales of some investment trusts) are subject to a purchase or sales fee of up to 5.5% (tax included) of the transaction amount. Also, a direct cost that may be incurred when selling investment trusts is a fee of up to 2.0% of the unit price at the time of redemption. Indirect costs that may be incurred during the course of holding investment trusts include, for domestic investment trusts, an asset management fee (trust fee) of up to 5.5% (tax included/annualized basis) of the net assets in trust, as well as fees based on investment performance. Other indirect costs may also be incurred. For foreign investment trusts, indirect fees may be incurred during the course of holding such as investment company compensation.

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In interest rate swap transactions and USD/JPY basis swap transactions ("interest rate swap transactions, etc."), only the agreed transaction payments shall be made on the settlement dates. Some interest rate swap transactions, etc. may require pledging of margin collateral. In some of these cases, transaction payments may exceed the amount of collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the transaction. Interest rate swap transactions, etc. carry the risk of losses owing to fluctuations in market prices in the interest rate, currency and other markets, as well as reference indices. Losses incurred as such may exceed the value of margin collateral, in which case margin calls may be triggered. In the event that both parties agree to enter a replacement (or termination) transaction, the interest rates received (paid) under the new arrangement may differ from those in the original arrangement, even if terms other than the interest rates are identical to those in the original transaction. Risks vary by transaction. Please thoroughly read the written materials

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In OTC transactions of credit default swaps (CDS), no sales commission will be charged. When entering into CDS transactions, the protection buyer will be required to pledge or entrust an agreed amount of margin collateral. In some of these cases, the transaction payments may exceed the amount of margin collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the financial position of the protection buyer. CDS transactions carry the risk of losses owing to changes in the credit position of some or all of the referenced entities, and/or fluctuations of the interest rate market. The amount the protection buyer receives in the event that the CDS is triggered by a credit event may undercut the total amount of premiums that he/she has paid in the course of the transaction. Similarly, the amount the protection seller pays in the event of a credit event may exceed the total amount of premiums that he/she has received in the transaction. All other conditions being equal, the amount of premiums that the protection buyer pays and that received by the protection seller shall differ. In principle, CDS transactions will be limited to financial instruments business operators and qualified institutional investors. Transfers of equities to another securities company via the Japan Securities Depository Center are subject to a transfer fee of up to ¥11,000 (tax included) per issue transferred depending on volume. No account fee will be charged for marketable securities or monies deposited.

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