



## Nomura Agribusiness Index

Global Markets Research  
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EQUITY: INDEX SERVICES DEPARTMENT

### Index rulebook

The Nomura Agribusiness Index comprises stocks of Japanese companies engaged in agriculture, forestry, and fishery businesses (collectively, "agribusiness"). The index comprises stocks based on predetermined rules that take into account investibility.

- The index consists of Japanese stocks where agribusiness sales account for 5% or more of total sales.
- The agribusiness sales of individual companies are calculated by Nomura Fiduciary Research & Consulting Co., Ltd. ("NFRC") based on quantitative rules, using companies' securities filings, Securities Identification Code Committee industrial classification, and Japan Standard Industrial Classification data published by the Ministry of Internal Affairs and Communications, among other materials.
- As a rule, the index is reconstructed annually.
- While the index is weighted by market capitalization, individual stock weights are capped at 5% to prevent the index from being excessively weighted toward large market caps.
- To make the index more investible, individual stocks with low free float weight adjusted market caps and low average daily turnover are screened out.

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# Table of contents

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1 Introduction.....	3
2 Periodic reconstitutions.....	4
2.1 Periodic reconstitution date.....	4
2.2 Periodic reconstitution base date.....	4
2.3 Announcement of periodic reconstitutions.....	4
3 The Selection and Construction Method for Index Constituent Stocks.....	5
3.1 Universe.....	5
3.2 Terminology.....	6
3.3 Stock selection.....	7
3.4 Number of shares included in index.....	8
4 Unscheduled reconstitutions.....	9
4.1 Addition of stocks.....	9
4.2 Treatment of stock swaps, stock transfers, mergers, etc.....	9
4.3 Removal of stocks.....	9
4.4 Announcement of unscheduled reconstitutions.....	10
5 Index calculation.....	11
5.1 Index base date, index base values, Publication start date.....	11
5.2 Index market cap.....	11
5.3 Calculation of index values.....	12
5.4 Index maintenance.....	12
6 Data services.....	15
For further information on the indices.....	16
Disclaimer.....	17
Policies with regard to the indices.....	18

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# 1 Introduction

The Nomura Agribusiness Index is a Japanese equities index consisting of the stocks of Japanese companies involved in agribusiness. The index is aiming to provide a benchmark for passive investment funds to create portfolios that track the share price performance of Japanese agribusiness stocks.

The definition of the term agribusiness in this document is used in its broadest sense to encompass not only the primary industries of agriculture, forestry, and fisheries, but also secondary and tertiary industries, such as agribusiness-related manufacturing, retailing, and wholesaling industries. The agribusiness sales of individual companies are calculated by NFRC based on predetermined quantitative rules, using securities filings, Securities Identification Code Committee industrial classification, and Japan Standard Industrial Classification data published by the Ministry of Internal Affairs and Communications, among other materials. Stocks belonging to the Securities Identification Code Committee's fishery, agriculture & forestry category are all included in the universe.

The index consists of common stocks listed on Japanese stock exchanges, for which the company gains at least 5% of their total sales from agribusiness. Under the annual reconstitution of the index, stocks with low liquidity are screened out to ensure investibility. While the portfolio is weighted by market cap, weights of individual stocks are capped to prevent the index from being excessively weighted toward large caps.

**Fig. 1: Examples of agribusiness eligible to the Nomura Agribusiness Index**

Primary industries	Secondary industries	Tertiary industries
<ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Forestry</li> <li>• Fisheries</li> </ul>	<ul style="list-style-type: none"> <li>• Food product manufacturing</li> <li>• Tobacco and beverage manufacturing</li> <li>• Fertilizer, feedstuff, and agrochemical manufacturing</li> <li>• Agricultural machinery manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Beverage and food retailing</li> <li>• Agricultural, forestry, and fishery product wholesaling</li> <li>• Fertilizer and feedstuff wholesaling</li> <li>• Farm machinery wholesaling</li> </ul>

Source: NFRC

1. NFRC took over the index business of Nomura Securities Co., Ltd., effective 1 February 2023.

## 2 Periodic reconstitutions

### 2.1 Periodic reconstitution date

The periodic reconstitution date is the first business day of December every year, and reconstitution is carried out after the close of trading on the business day preceding the periodic reconstitution date.

### 2.2 Periodic reconstitution base date

Constituents and the number of shares in each component stock to be included in the index following the periodic reconstitution are determined on the basis of calculations using information as of the periodic reconstitution base date. The periodic reconstitution base date is the 15th of the month that is two months prior to the periodic reconstitution date (ie, 15 October of each year, or the preceding business day if the 15th is a non-business day).

### 2.3 Announcement of periodic reconstitutions

As a general rule, an announcement will appear on the NFRC website at around 16:00 (JST) 10 business days before the periodic reconstitution date, except in the case of unforeseen circumstances or when information cannot be confirmed.

Website: <http://qr.nomuraholdings.com/en/frcnri/index.html>

# 3 The Selection and Construction Method for Index Constituent Stocks

## 3.1 Universe

The universe includes all stocks listed on Japanese stock exchanges<sup>[2]</sup> as of the periodic reconstitution base date. However, stocks that meet the following criteria as of the periodic reconstitution base date are excluded.

- Equities other than common stock  
As a general rule, only common stock is included in the universe. However, exceptions to this rule will be made if necessary.
- Stocks assigned for delisting  
Stocks assigned for delisting are not included in the universe.
- Stocks under supervision  
Stocks designated as securities under supervision are not included in the universe.
- Target companies of a tender offer  
Stocks that are the targets of tender offers (ie, TOBs) may be excluded from the universe of stock selection only if all of the following requirements are met:  
(1) the offer close date falls between the periodic reconstitution base date and the periodic reconstitution date  
(2) the company conducting the tender offer plans to acquire all the outstanding shares in the target company; and  
(3) the company conducting the tender offer is planning to acquire all of the stock of the target company in exchange either for money or its own stock and the target company agrees to the offer.
- Exchange Traded Funds
- Foreign stocks  
Stocks listed on foreign sections of Japanese exchanges or stocks regarded as overseas companies are excluded from the universe even if they are traded in the Japanese market.
- Other exceptions  
Latent stocks, warrants, and rights on them are excluded. The Bank of Japan is also excluded.

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

## 3.2 Terminology

- Free float-adjusted market cap

We use the following method to calculate free float-adjusted market capitalization in order to reflect the number of shares that are actually available for investment.

Nomura composite price × (number of shares outstanding for index calculation purposes - stable shareholding)

- Nomura composite price

The Nomura composite price refers to the stock price of the exchange selected based on the number of traded days and volume of contracts in the last 60 trading days. As a general rule, the exchange is selected on a daily basis.

The share price is selected according to the following order of precedence:

Contract price on selected exchange (see note) > standard price on selected exchange > Nomura composite price on previous business day

Note: Priority is given to the special quotation price or continuous confirmed quotation price on the selected exchange if these are available.

- Number of shares outstanding for index calculation purposes

The number of shares outstanding for index calculation purposes is the number of shares outstanding after reflecting changes in the number of shares, in accordance with 5.4.2 Adjustments resulting from changes in capital structure.

- Stable shareholdings

The stable shareholding is the number of shares deemed to be held stably. It is estimated based on major shareholders data, a list of securities held in an annual securities report, and information published by an exchange or company (such as a bulletin or prospectuses, etc.).

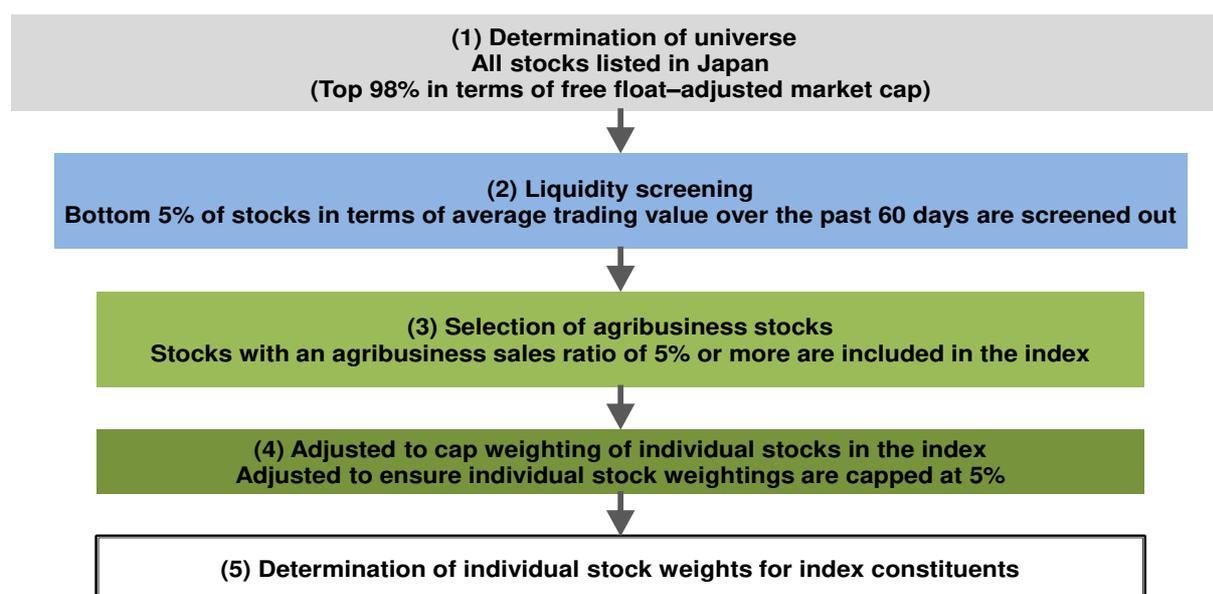
### 3.3 Stock selection<sup>[3]</sup>

Stocks are selected for the Nomura Agribusiness Index from the universe after screening out stocks with low market capitalization or low liquidity to avoid their inclusion in the index (Figure 2).

Stock selection process

- Select a group of stocks from the universe that are in the top 98% in terms of free float-adjusted market.
- Stocks ranked in the bottom 5% of the group in terms of average trading value over the past 60 days<sup>[4]</sup> are ineligible.
- Stocks for which agribusiness sales account for 5% or more of the subject company's most recent total sales are included in the Nomura Agribusiness Index<sup>[5]</sup>.

Fig. 2: Overview of Nomura Agribusiness Index stock selection process



Source: NFRC

3. The stock selection criteria may be revised at Nomura's discretion in response to changes in the economic situation, etc. In this case, a revised rulebook will be published at least two weeks before the periodic reconstitution date.
4. Average trading value over the past 60 days is calculated as the average of [Nomura composite price × trading volume] over the past 60 days, including the reconstitution base date.
5. The agribusiness sales of individual companies are calculated by NFRC based on pre-determined quantitative rules, using securities filings, Securities Identification Code Committee sector categories, and Japan Standard Industrial Classification data published by the Ministry of Internal Affairs and Communications, among other materials. Stocks belonging to the category of fishery, agriculture & forestry among the Securities Identification Code Committee sector categories, that meet criteria (1) and (2) in the stock selection process are included in the index.

### 3.4 Number of shares included in index

Weights for each constituent in the index are calculated using the free float-adjusted market cap as of the reconstitution base date. First, the free float-adjusted market cap weight for each component stock is calculated, with individual stock weight capped at 5%. The sum of weights of stocks whose free float-adjusted market cap weights exceed 5% is subtracted from 1, and this figure is proportionately allocated among other constituents based on free float-adjusted market cap size to determine index weights for individual stocks.

Each constituent's number of shares included in the index is calculated by first calculating its adjustment coefficient. The adjustment coefficient is determined using the formula below to ensure that the weight of each stock as of the reconstitution base date is equal to the weight determined in line with the above adjustment (see 3.2 Glossary regarding the Nomura composite price).

Number of shares of the stock<sub>*i*</sub> within the index

= no. of shares outstanding for index calculation purposes<sub>*i*</sub> × adjustment coefficient<sub>*i*</sub>

Adjustment coefficient for stock<sub>*i*</sub>

= (index market cap × *i*'s weight)

/ (no. of shares outstanding for index calculation purposes<sub>*i*</sub> × Nomura composite price<sub>*i*</sub>)

## 4 Unscheduled reconstitutions

Each time an event such as corporate realignment occurs, the reconstitution shall be carried out based on the following rules as a rule, taking into consideration the actual situation after the event. However, a material event other than those below may lead to an unscheduled index reconstitution. Any such change would be announced in advance.

### 4.1 Addition of stocks

- Treatment of newly listed stocks  
Stocks newly listed in the period following the periodic reconstitution base date will be considered for inclusion in the index at the time of the next periodic reconstitution<sup>[6]</sup>.

### 4.2 Treatment of stock swaps, stock transfers, mergers, etc

Unscheduled reconstitutions are carried out in response to various forms of corporate reorganization, based on the following rules. Changes are made on a case-by-case basis taking the situation following the restructuring into account. The objective of this is to avoid temporary exclusions of companies that have conducted a stock swap, stock transfer or similar action, and thus maintain the consistency of the stocks included in the index.

- Stock swaps and absorption-type mergers  
When a stock is delisted because it is about to become a wholly owned subsidiary or be merged into another company, it may be included in the index after its delisting but must be removed from the index on the day of the listing change. Following its delisting, and until the business day prior to the listing change, the merged company's valuation is based on the market value of the company that will become the parent company or the surviving company multiplied by the exchange or merger ratio. Also, the number of shares of the stock within the index of the surviving company is changed on the listing change date based on the exchange or merger ratio.
- Stock transfers and consolidation-type mergers  
When an unlisted surviving company takes over the operations of another company and becomes listed after a short period of time, the merged company is removed from the index on the new listing date of the surviving company. The price used for the delisted merged company through to the business day prior to the surviving company's listing is the price on the day before its delisting. The price used for the surviving company is the price on its new listing date. However, if it is apparent the surviving company will not be eligible for the index periodic reconstitution, the merged company is removed from the index on the delisting date.

### 4.3 Removal of stocks

- Assignment to securities to be delisted  
Stocks assigned as securities to be delisted will be removed from the index four business days after the assignment. However, stocks that are listed on more than one stock exchange and not assigned to be delisted on all stock exchanges will not be removed.

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6. Except for stocks newly listed due to stock transfer or consolidation-type merger. For the treatment of these stocks see 4.2 Treatment of stock swaps, stock transfers, mergers, etc.

- **Delisting**  
Stocks delisted for reasons other than those cited in 4.2 Treatment of stock swaps, stock transfers, mergers, etc, are removed from the index on the delisting date.
- **Marked loss of eligibility for inclusion in the universe**  
In the case of an event that is considered to seriously damage a component stock's eligibility for inclusion in the universe, the stock may be removed from the index following an official announcement by the company in question, the stock exchange, or a government/regulatory agency.

#### **4.4 Announcement of unscheduled reconstitutions**

As a rule, unscheduled reconstitutions are announced on the NFRC website no later than five business days before the date of reconstitution, except in the case of unforeseen circumstances or when information cannot be confirmed.

Website: <http://qr.nomuraholdings.com/en/frcnri/index.html>

## 5 Index calculation

### 5.1 Index base date, index base values, Publication start date

Index base date	: 29 December 2000
Index base values	: 10,000
Publication start date	: 31 July 2013

Index values before the publication start date were calculated based on the rules as of the publication start date for reference purposes.

### 5.2 Index market cap

#### 5.2.1 Index market capitalization

Stock market cap for the index<sub>*i*</sub>  
 = Nomura composite price<sub>*i*</sub> × number of shares of the stock within the index<sub>*i*</sub>

Index market cap =  $\sum_i$  (stock<sub>*i*</sub>'s market cap of the index)

*i* indicates each index constituent.  $\sum_i$  indicates the sum for all index constituents.

#### 5.2.2 Base market capitalization

Base market capitalization is used in index calculations to avoid index values being affected by changes in market capitalization that are caused by non-market factors, such as changes in capital structure or in the constituents of the index.

- Base market capitalization (excluding dividends)

Base market capitalization<sub>*t*</sub> = index market capitalization<sub>*t-1*</sub> + adjusted market cap<sub>*t*</sub>

*t* is the day in question. *t-1* is the preceding business day.

- Base market capitalization (including dividends)

Base market capitalization<sub>*t*</sub>  
 = index market capitalization<sub>*t-1*</sub> + adjusted market capitalization<sub>*t*</sub> - adjusted total dividend<sub>*t*</sub>

*t* is the day in question. *t-1* is the preceding business day.

Adjusted market capitalization refers to the movement of market capitalization due to the change in the capital structure or the change in constituents. Adjusted total dividends is calculated as the difference between forecast dividends and actual dividends.

## 5.3 Calculation of index values

The index value and return are calculated using the values described above as follows;

### 5.3.1 JPY-denominated index value

- Index excluding dividends

$$\text{Return}_t = \text{index market capitalization}_t / \text{base market capitalization}_{t-1}$$

$$\text{Index value}_t = \text{index value}_{t-1} \times (1 + \text{return}_t)$$

$t$  is the day in question.  $t-1$  is the preceding business day.

- Index including dividends

$$\text{Return}_t = (\text{index market capitalization}_t + \text{total dividends}_t) / \text{base market capitalization}_{t-1}$$

$$\text{Index value}_t = \text{index value}_{t-1} \times (1 + \text{return}_t)$$

$t$  is the day in question.  $t-1$  is the preceding business day.

- Method for reflecting dividends

For the index including dividends, dividend data are reflected on the ex-dividend date. However, as the value of the dividend has not yet been determined on the ex-dividend date, the stock issuer's dividend forecast is used (if this is unavailable, the Toyo Keizai dividend forecast is used)<sup>7</sup>. In the event of a difference between the dividend forecast and the actual dividend, the base market capitalization is adjusted on the last business day of the month of the earnings announcement (if the earnings announcement is made on the last business day of the month, the base market capitalization is adjusted on the last business day of the following month). In addition, if dividend adjustment is required, the base market capitalization is adjusted on the last business day of the month in which NFRC comes to know (if the day in which NFRC comes to know is the last business day of the month, the base market capitalization is adjusted on the last business day of the following month). For details of base market capitalization see 5.4.2 Adjustments resulting from changes in capital structure.

## 5.4 Index maintenance

### 5.4.1 Reconstitutions

Constituents are replaced in periodic and unscheduled reconstitutions and also when necessary for other reasons. The base market capitalization is calculated on the reconstitution date using share prices from day prior to the reconstitution date.

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7. This rule is effective from fiscal years ended end-December 2011 onward. For fiscal years before this, the actual dividend on the ex-dividend date is used retroactively for reference purposes.

## 5.4.2 Adjustments resulting from changes in capital structure

### Adjusting the base market capitalization

The base market capitalization is adjusted in the following way if market cap moved due to a change of capital structure regardless of market movement. However, no adjustment is made to base market capitalization to reflect changes in capital structure that do not involve payment, such as stock splits, reverse stock splits, and changes in face value, as these do not affect market capitalization.

**Fig. 3: Timing of adjustments of base market capitalization and share price used**

	Change in capital structure	Adjustment date	Share price used
Corporate reorganization	Stock transfer, stock swap, merger	Date of listing change	Previous day's price
	Corporate divestiture (company/division spinoff)	Ex-rights date	Not used <sup>(8)</sup>
Capital increase	Shareholder allocation	Ex-rights date	Issue price
	Allotment of acquisition rights to shares without contribution	Ex-rights date	Exercise price
	Allotment of treasury stock without contribution	Ex-rights date	Previous day's price
	Public offering	Business day following payment date (listing date of new shares in case of when-issued transaction)	Previous day's price
	Third-party allocation of shares	Five business days after date of listing change	Previous day's price
	Conversion of preferred stock	Last business day of month in which number of converted shares becomes known	Previous day's price
	Conversion of CBs	Last business day of month in which number of new shares for which rights were exercised becomes known	Previous day's price
	Corporate divestiture (new shares of successor company)	Date of listing change	Previous day's price
Capital reduction	Retirement of treasury stock	Last business day of month following month of treasury stock retirement	Previous day's price
	Forfeiture of stock acquisition rights	Last business day of month in which forfeiture of stock acquisition rights is announced (or last business day of following month if announcement is within five business days of month-end)	Previous day's price
	Capital reduction with compensation	Effective date	Previous day's price
Other	Other adjustments	Other adjustments to base market capitalization, if required, are made on the last business day of the month of the disclosure of the relevant information (or the last business day of the following month if the disclosure is made within five business days of the month-end)	Previous day's price

Source: NFRC

8. In the case of a corporate divestiture (company/division spinoff), the base market capitalization is adjusted by the reduction in capital. The reduction in capital is defined as follows:
- (1) when the divesting entity does not announce the value of the divested division or of the shares of the divested (spun-off) company, capital is reduced by the amount by which the divesting entity's shareholders' equity is expected to be reduced and
  - (2) when the divesting entity does announce the value of the divested division or of the shares of the divested (spun-off) company, capital is reduced by the value of the division or the value of the divested company's shares multiplied by the total number of shares

### Adjustments to index weightings

When the following changes in capital structure result in a change in the number of shares outstanding for index calculation purposes, the number of shares of the stock within the index is adjusted so that the number of shares in the stock that are included in the index does not change.

- Stock transfer, stock swap, merger<sup>[9]</sup>
- Shareholder allocation
- Allotment of acquisition rights to shares without contribution
- Public offering
- Third-party allocation of shares
- Conversion of preferred stock
- Conversion of CBs, exercise of stock acquisition rights
- Corporate divestiture (new shares of successor company)
- Retirement of treasury stock
- Forfeiture of stock acquisition rights
- Capital reduction with compensation
- Other adjustments

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9. When an index constituent becomes a wholly owned subsidiary (or merged company), the number of shares of the stock within the index of the parent (or surviving company) is adjusted so that the total number of shares in the index remains the same as it was before, taking the exchange ratio (or merger ratio) into account.

## 6 Data services

Data for the indices can be obtained via the following channels<sup>[10]</sup>

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Index values are published in the following media:

Bloomberg	:	JPY-denominated (excluding dividends): NMRIJOAG <Index> JPY-denominated (including dividends): NMRIJIAG <Index>
QUICK	:	JPY-denominated (excluding dividends): SRNAB/NRIJ
Website	:	<a href="http://qr.nomuraholdings.com/jp/agri/index.html">http://qr.nomuraholdings.com/jp/agri/index.html</a> (Japanese only)

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10. Published data are all for reference only.

## For further information on the indices

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Website : [http://qr.nomuraholdings.com/en/frcnri/index\\_contacts.html](http://qr.nomuraholdings.com/en/frcnri/index_contacts.html)

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Registration Number: Director-General of the Kanto Local Financial Bureau (Finance & Commerce) Registration No.451

Membership: Japan Investment Advisers Association No. 011-00961

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The below index-related policies are published on our website. See the following link for details:

<http://qr.nomuraholdings.com/en/guides/index.html>

- Index Governance Framework
- Conflicts of Interest Policy
- Index Calculation Policy
- Complaints Handling Policy