

Index rulebook

Research Analysts

[Japan index products](#)

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Nomura Shareholder Yield 70

Nomura Shareholder Yield 70 is a share price index comprising stocks in 70 companies that quantitative indicators based on dividends, share buybacks, etc, indicate to be proactive on shareholder returns. Constituent stocks are selected from a universe of all common stocks listed on Japanese stock exchanges (excluding stocks in the "banks", "securities and commodities futures", "insurance", and "other financing business" sectors, based on the Tokyo Stock Exchange's 33 sector classifications). Weightings of individual stocks in the index are determined on the basis of free float-adjusted market capitalization (with individual stock weightings capped at 2%).

Index characteristics

- 70 Japanese stocks with a high "net shareholder yield", based on actual dividends, share buybacks, and capital increases, etc, over the past three years, are selected for the index
- Index constituents are assigned an index weighting based on their free float-adjusted market capitalization (with individual stock weightings capped at 2%), to take into consideration the balance between investment diversification and liquidity
- Stocks in the "banks", "securities and commodities futures", "insurance", and "other financing business" sectors, based on the Tokyo Stock Exchange's 33 sector classifications, are excluded
- The index is reconstituted once a year

Main changes/additions to rules

[30 October 2020] Change to "net shareholder yield" calculation method (see 2.2.3. Stock selection based on net shareholder yield)

Table of contents

1. Periodic reconstitutions.....	3
1.1. Periodic reconstitution date.....	3
1.2. Periodic reconfiguration base date.....	3
1.3. Announcement of periodic reconstitutions.....	3
2. Stock selection.....	4
2.1. Stock selection universe.....	4
2.2. Stock selection method.....	5
2.3. Index composition.....	7
3. Unscheduled index reconstitutions.....	8
3.1. Response to stock swaps, stock transfers, mergers, etc.....	8
3.2. Removal of stocks.....	8
4. Calculation of index values.....	9
4.1. Index base date, base value, announcement date.....	9
4.2. Calculation of index market capitalization.....	9
4.3. Calculation of index values.....	9
4.4. Adjustment of base market capitalization.....	11
4.5. Adjustment to reflect change in index inclusion ratio.....	12
Data publication services.....	13
Sources of Nomura Shareholder Yield 70 data[10].....	13
Contact.....	13
Policies with regard to Nomura Securities Co., Ltd. (NSC)'s indices.....	14
Appendix A-1.....	15

1. Periodic reconstitutions

1.1. Periodic reconstitution date

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

1.2. Periodic reconfiguration base date

The periodic reconstitution base date is the last business day in December. Constituent stocks and the number of shares in each constituent stock to be included in the index following its periodic reconfiguration are determined on the basis of calculations using data as of the reconstitution base date.

1.3. Announcement of periodic reconstitutions

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

2. Stock selection

2.1. Stock selection universe

The stock selection universe is the top 98% of stocks listed on stock exchanges in Japan^[1] as of the periodic reconstitution base date in terms of free float-adjusted market capitalization^[2] calculated on the most recent 15 October preceding the periodic reconstitution base date. However, stocks that meet the following criteria as of the periodic reconstitution base date are excluded from the stock selection universe.

- Equities other than common stock

As a general rule, only common stock is included in the stock selection universe. However, exceptions to this rule will be made if deemed necessary.

- Stocks assigned for delisting

Stocks assigned for delisting are not included in the stock selection universe.

- Stocks under supervision^[3]

Stocks under supervision (examination) and stocks under supervision (confirmation) that are not included in the index immediately before the periodic reconstitution are not included in the stock selection universe.

- TOB target companies^[3]

Stocks that are the target of tender offers (i.e., TOBs) may be excluded from the stock selection universe only if all of the following requirements are met:

(1) the tender offer closing 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.

- Listed investment trusts/REITs
- Foreign stocks

Stocks listed on foreign sections of Japanese exchanges or stocks regarded as overseas companies are excluded, even if these stocks are traded in the Japanese market.

- Other

Latent stock, warrants, and rights on them are excluded. The Bank of Japan is also excluded.

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

2. We use free float-adjusted market capitalization, estimated as [Nomura composite share price x (number of stocks outstanding for index calculation purposes - number of stable shareholding stocks)], in order to reflect the number of stocks that are actually available for investment and are highly likely to be in circulation on the market. The number of stable shareholding stocks is estimated using major shareholder data, the schedule of securities held in securities reports, and data published by the stock exchange or the company (such as bulletins and prospectuses) available as of 15 October every year (or the preceding business day if 15 October is a non-business day). The number of stocks outstanding for index calculation purposes is the number of stocks outstanding after reflecting changes in the number of stocks, in accordance with the timing of adjustments resulting from changes in capital structure as set out in 4.4. Adjustment of base market capitalization. See 2.2.3. Stock selection based on net shareholder yield for details of the Nomura composite share price.

3. Effective as of February 2020 periodic reconstitution.

2.2. Stock selection method

Stocks are selected from the stock selection universe (see 2.1. Stock selection universe) using the following procedure.

Stocks that meet the market capitalization and liquidity criteria (see 2.2.1. Market capitalization and liquidity) are selected from the stock selection universe (see 2.1. Stock selection universe).

From the stocks selected in 2.2.1, those that meet the sector criteria set out in 2.2.2 Sector are then selected.

From the stocks selected in 2.2.2, the 70 stocks with the highest net shareholder yield are selected (see 2.2.3. Stock selection based on net shareholder yield).

2.2.1. Market capitalization and liquidity

Using data as of the periodic reconstitution base date, stocks in the stock selection universe (see 2.1. Stock selection universe) that meet the following criteria are selected.

- In the top 85% of the universe in terms of free float-adjusted market capitalization
- In the top 500 stocks in the universe in terms of average daily trading value over the preceding 60 business days

2.2.2. Sector

Stocks in the "banks", "securities and commodities futures", "insurance", and "other financing business" sectors, based on the Tokyo Stock Exchange's 33 sector classifications, as of the periodic reconstitution base date, are excluded^[4].

2.2.3. Stock selection based on net shareholder yield

The index comprises the top 70 stocks in terms of net shareholder yield. If there are multiple stocks at the same rank, causing the total number of stocks to exceed 70, stocks are selected from the multiple stocks in order of free float-adjusted market cap, starting with the highest, until the number of stocks selected reaches 70.

Net shareholder yield is calculated using the following method^[5]. Data available on the periodic reconstitution base date is used.

- Net shareholder yield (%) = total amount of net shareholder payout ÷ market capitalization of outstanding shares x 100
- Total amount of net shareholder payout = average total value of dividends paid over preceding three years + average total value of share buybacks implemented over preceding three years - average total value of capital increases implemented over preceding three years - average total treasury share disposal value over preceding three years

4. However, stocks may also be excluded with reference to lists of licensed bank holding companies and lists of registered insurance holding companies that are published by the Financial Services Agency (FSA).

5. Treasury share disposal value will be subtracted in the calculation of the total amount of net shareholder payout from the February 2021 periodic reconstitution.

[Data used in calculation of net shareholder yield]

- Average total value of dividends paid over preceding three years
The value that is one-third of the total value of dividends paid over the preceding three years, based on dividends for which the last day with rights is included in the three-year period preceding the end of the month (30 September) three months prior to the periodic reconstitution base date.
- Average total value of share buybacks implemented over preceding three years
The value that is one-third of the total value of share buybacks implemented over the preceding three years, based on share buybacks implemented over the three-year period preceding the end of the month (31 December) that includes the periodic reconstitution base date.
The total value of share buybacks implemented is the total purchase result for purchases on the open market, in tender offers, and in after-hours trading (total value of purchases in the case of purchases on the open market, and purchase price x number of shares purchased in the case of tender offers and after-hours trading). Share buybacks implemented over the preceding three years are the sum of share buybacks for which the date that is three business days after the share buyback base date falls within the preceding three years. The share buyback base date is the last day of the purchasing period, in the case of purchases on the open market, and the date on which purchase results were disclosed, in all other cases.
- Average total value of capital increases implemented over preceding three years
The value that is one-third of the total value of capital increases implemented over the preceding three years, based on capital increases implemented over the three-year period preceding the end of the month (31 December) that includes the periodic reconstitution base date.
The total value of capital increases implemented is the total of issue price x number of publicly offered shares, in the case of both public offerings and third-party placements (the total number of shares allocated in the case of third-party placements). Capital increases implemented over the preceding three years are based on capital increases for which the third day after the payment date falls within the preceding three-year period.
- Average total treasury share disposal value over preceding three years
The value that is one-third of the total treasury share disposal value over the preceding three years, based on the disposal of treasury shares over the three-year period preceding the end of the month (31 December) that includes the periodic reconstitution base date.
The total treasury share disposal value is the total disposal value resulting from the sale or *kaitori-hikiuke* (underwriting) of treasury shares (disposal price x number of shares disposed of).
Disposal of treasury shares over the preceding three years is the disposal of treasury shares for which the third day after the payment date falls within the preceding three-year period.
- Market capitalization of outstanding shares
Market capitalization of outstanding shares = Nomura composite share price on periodic reconstitution base date x number of shares outstanding for index calculation purposes on periodic reconstitution base date

Nomura composite share price

The Nomura composite share price is the share price on the stock exchange selected for each stock on the basis of trading frequency and volume over the preceding 60 business 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 share 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.

2.3. Index composition

2.3.1. Index weightings of constituent stocks and maximum weighting

Index weightings of constituent stocks are in proportion to their free float-adjusted market capitalization on the periodic reconstitution base date. However, individual stock weightings are capped at 2%, and weightings in excess of this are allocated to other shares in proportion to their free float-adjusted market capitalization.

2.3.2. Number of shares included in index and index inclusion ratio for each constituent stock

The number of shares included in the index and index inclusion ratio for each constituent stock are calculated using data as of the periodic reconstitution base date to ensure that their index weightings are the same as those determined using the method set out above.

Market capitalization of shares in stock_{*i*} included in index = index weighting_{*i*} × index market cap

No. of shares in stock_{*i*} included in index
= market capitalization of shares in stock_{*i*} included in index ÷ Nomura composite share price for stock_{*i*}

Index inclusion ratio for stock_{*i*}
= no. of shares in stock_{*i*} included in index ÷ no. of shares outstanding in stock_{*i*} for index calculation purposes

Here, *i* indicates the *i*th constituent stock.

3. Unscheduled index reconstitutions

3.1. Response to stock swaps, stock transfers, mergers, etc

Temporary exclusions of stocks from the index are avoided and the consistency of index constituents is maintained based on the following rules.

3.1.1. 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 (hereafter, merged company), it is included in the index after delisting but removed from the index on the listing change date (or on the following business day if this is a non-business day). Following its delisting, and until its removal from the index, 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 index inclusion ratio of the parent company or surviving company is changed on the listing change date (or on the following business day if this is a non-business day) based on the exchange or merger ratio.

3.1.2. Stock transfers and consolidation mergers

When an unlisted parent company or surviving company in a merger (hereinafter, surviving company) assumes 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 (or on the following business day if this is a non-business day). The price used for the delisted merged company is the price on the day before its delisting. Also, the price used for the surviving company is the price on its new listing date. However, if the surviving company will not be included in the index after periodic reconstitution, the merged company is removed from the index on the delisting date.

3.2. Removal of stocks

3.2.1. Designation as securities to be delisted

Stocks designated as securities to be delisted are removed from the index four business days later (or on the following business day if this is a non-business day). However, stocks that are listed on more than one market and not designated for delisting on one or more of the markets will not be removed.

3.2.2. Delisting

Stocks delisted for reasons other than those cited in 3.1. Response to stock swaps, stock transfers, mergers, etc, are removed from the index on the delisting date.

3.2.3. Marked loss of eligibility for inclusion in stock selection universe

In the case of an event that is regarded as having seriously damaged a constituent stock's eligibility for inclusion in the stock selection universe as defined in 2.1. Stock selection 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. However, after the stock has been removed from the index, if the grounds for the stock's removal from the index no longer apply as of the periodic reconstitution base date, it will stop being regarded as ineligible for inclusion in the stock selection universe.

4. Calculation of index values

4.1. Index base date, base value, announcement date

The base date is 31 January 2008 and the value of the index on the base date (base value) is 10,000.

Publication of index values commenced on 13 March 2019.

4.2. Calculation of index market capitalization

Market capitalization of shares in stock i included in index

$$= \text{Nomura composite share price for stock } i \times \text{no. of shares in stock } i \text{ included in index}$$

Index market cap = \sum_i (market cap of shares in stock i included in index)

Here, i indicates the i th constituent stock and \sum_i indicates the sum for all index constituents.

4.3. Calculation of index values

To prevent index values from being affected by changes in market capitalization not related to market fluctuations, eg, changes in capital structure and index constituents, the index is calculated as follows, using base market capitalization^[6]. Here, t represents the day in question, and $t-1$ represents the preceding business day.

Calculation of yen-denominated index values

- Index excluding dividends

$$\text{Base market cap}_t = \text{market cap}_{t-1} + \text{adj market cap}_t$$

$$\text{Return}_t = \frac{\text{market cap}_t}{\text{base market cap}_t} - 1$$

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

- Index including dividends

$$\text{Base market cap}_t = \text{market cap}_{t-1} + \text{adj market cap}_t - \text{adj total dividends}_t$$

$$\text{Return}_t = \frac{\text{market cap}_t + \text{total dividends}_t}{\text{base market cap}_t} - 1$$

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

6. Adjusted market capitalization is calculated as the change in market capitalization resulting from a change in capital structure at an index constituent or a change in market capitalization resulting from a change in index constituent stocks. Adjusted total dividends is calculated as the difference between forecast dividends and actual dividends if there is a difference between these two values.

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 company's announced dividend forecast is used (or Toyo Keizai's dividend forecast if the company has not announced its own dividend forecast)⁷. 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 company's earnings announcement. However, if the company announces its earnings of the last business day of the month, the adjustment is made 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 this became clear (if the day in which this became clear is the last business day of the month, the base market capitalization is adjusted on the last business day of the following month).

7. This rule applies from accounting periods ending on 31 December 2011. For accounting periods before this, the actual dividend on the ex-dividend date is used.

4.4. Adjustment of base market capitalization

The base market capitalization is adjusted as shown below in the event of a change in capital structure or in index constituent stocks (Figure 1). However, base market capitalization is not adjusted to reflect changes in capital structure that do not involve payment, such as stock splits and reverse stock splits, as these do not affect market capitalization.

Fig. 1: Timing of adjustments resulting from changes in capital structure

	Change in capital structure	Adjustment date	Share price used
Stock replacement	Stock transfer, stock swap, merger	Date of listing change	Previous day's price
	Corporate divestiture (company/division spinoff)	Ex-rights date	Not used ^{8/}
	Stock replacement	Replacement date	Previous day's price
Capital increase	Rights offering	Ex-rights date	Issue price
	Gratis allocation of stock acquisition rights	Ex-rights date	Exercise price
	Gratis allocation of treasury stock	Ex-rights date	Previous day's price
	Public offering	Business day following payment date (listing date of new shares when settlement is on issuance date)	Previous day's price
	Capital increase via third-party placement	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 Exercise of stock acquisition rights	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 stock in continuing 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
	Rights offering refusal	Last business day of month in which rights offering refusal 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: Nomura

8. In the case of a corporate divestiture (company/division spinoff), the base market capitalization is adjusted for the reduction in capital. Definitions of reductions in capital are as follows: (1) when the company does not announce the value of the divested division or of the shares of the divested company: capital reduction = amount by which shareholders' equity is expected to be reduced; and (2) when the company does announce the value of the divested division or of the shares of the divested company: capital reduction = value of divested division or value of divested company's shares × total number of shares

4.5. Adjustment to reflect change in index inclusion ratio

Constituent stocks are replaced in periodic and unscheduled reconstitutions and also when necessary for other reasons. In addition, when the following changes in capital structure result in a change in the number of shares outstanding for index calculation purposes, the index inclusion ratio is changed so that the number of shares in the stock that are included in the index does not change.

- Stock transfer, stock swap, merger⁹¹
- Rights issue offering
- Gratis allocation of stock acquisition rights
- Public offering
- Capital increase via third-party placement
- Conversion of preferred stock into common stock
- Exercise of CBs, exercise of stock acquisition rights
- Corporate divestiture (new shares in continuing company)
- Retirement of treasury stock
- Rights offering refusal
- Capital reduction with compensation
- Other adjustments

9. If a wholly owned subsidiary (merged company) is an index constituent, the number of shares in the parent company (merging company) will be adjusted to reflect the exchange ratio (merger ratio).

Data publication services

Sources of Nomura Shareholder Yield 70 data¹⁰¹

Information on the Nomura Shareholder Yield 70 is available on the following media:

Bloomberg: NMRIJOSY<Index> (index excluding dividends, yen-denominated)

NMRIJISY<Index> (index including dividends, yen-denominated)

QUICK: NRIJ@

Reuters: .NSY70 (index excluding dividends, yen-denominated)

.NSY70TR (index including dividends, yen-denominated)

Website: <http://qr.nomura.co.jp/jp/nsy/index.html> (Japanese only)

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

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10. Published data are all for reference only.

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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
- Glossary (Equity)
- Complaints Handling Policy

Appendix A-1

Analyst Certification

I, Index Operations Dept., hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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56% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 38% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services** by the Nomura Group.

41% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 60% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group

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As at 31 March 2022.

*The Nomura Group as defined in the Disclaimer section at the end of this report.

** As defined by the EU Market Abuse Regulation

Definition of Nomura Group's equity research rating system and sectors

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of '**Buy**', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of '**Neutral**', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of '**Suspended**', indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as '**Not rated**' or shown as '**No rating**' are not in regular research coverage. Investors should not expect continuing or

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SECTORS

A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan**: Sector ratings are not assigned.

Target Price

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