

S&P Japan 500 Consultation

TOKYO, APRIL 7, 2017: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the S&P Japan 500 and its component indices.

The S&P Japan 500 is comprised of the S&P/TOPIX 150 (the Large Cap segment), S&P Japan Mid Cap 100, and S&P Japan Small Cap 250. The indices are designed to measure the performance of liquid, investable stocks from the Japanese equity market. The S&P/TOPIX 150 is also a component index of S&P Global 1200. S&P DJI is considering making the following changes to the indices.

Market Capitalization Screening. Index composition is reviewed using float-adjusted market capitalization after the market close on the review reference date. In order to diminish the impact of market capitalization fluctuations, S&P DJI is proposing to use the three-month average float-adjusted market capitalization as the market cap screen during the index composition review.

Index Selection Buffers. S&P DJI is proposing to introduce buffers for the removal and replacement of current index constituents in order to reduce portfolio turnover as follows:

- At each review, stocks in the index universe will be ranked by their three-month average float-adjusted market capitalizations.
- If a current constituent ranks below the threshold rank detailed below, it is removed.
- The largest non-constituent that is ranked within the representative size segment is added as a replacement, provided all other eligibility factors are met.

The proposed removal and replacement rank thresholds are as follows:

Index	Removal	Replacement
S&P/TOPIX 150	Rank lower than 220	Rank among the top 150
S&P Japan Mid Cap 100	Rank lower than 330	Rank between 151 and 250 (inclusive)
S&P Japan Small Cap 250	Rank lower than 650	Rank between 251 and 500 (inclusive)

Float Rate for New Additions. S&P DJI is proposing to introduce a minimum float rate requirement for new index additions in order to ensure the stocks included in an index are liquid and investable. For new index additions, a float rate of at least 50% will be required.

GICS Sector Balance Criteria. S&P DJI is proposing that each Global Industry Classification Standard (GICS[®]) sector weighting in the S&P Japan 500 and S&P/TOPIX 150 should be maintained within $\pm 3\%$ from its weighting in the S&P Japan BMI in order to ensure representative sector weightings.¹

¹ For the S&P/TOPIX 150, the Telecommunications sector weight deviation from the S&P Japan BMI is 2.59% as of March 2017. All other sectors in the S&P/TOPIX 150 and all sectors in the S&P Japan 500 Index are maintained within $\pm 2\%$ of the S&P Japan BMI sector weighting.

Impact Analysis

The turnover from the actual March 2017 rebalancing, as well as the one-way turnover that would have resulted if the proposed methodology changes had been applied at that time, are detailed below.

Index	March 2017	
	Actual Rebalancing Turnover Using Current Methodology	One-way Turnover Using Proposed Methodology
S&P/TOPIX 150	0.79%	1.02%
S&P Japan Mid Cap 100	8.46%	9.21%
S&P Japan Small Cap 250	5.00%	4.23%
S&P Japan 500	0.18%	0.17%

QUESTIONS:

1. Do you agree with the proposal to use three-month average float-adjusted market capitalization for market capitalization screening at the index composition review?
2. Do you agree with the proposal of adding rank thresholds for the removal and replacement of current index constituents?
 - a. Do you agree with the proposed thresholds for removal of a current constituent?
 - b. What thresholds are you in favor of if not the proposed thresholds?
3. Do you agree with the proposal of adding the float rate requirement for new index additions?
 - a. Do you agree with the proposed minimum float rate?
 - b. What float rate are you in favor of if not the proposed minimum?
4. Do you agree with the proposal of adding the GICS sector balance criteria?
 - a. Do you agree with the proposed maintenance range of $\pm 3\%$?
 - b. What maintenance threshold are you in favor of if not the proposed range?

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Your responses will be kept confidential. Please respond to this survey by **May 26, 2017**. After this date, S&P Dow Jones Indices will no longer accept survey responses. Prior to the Index Committee's final review, S&P Dow Jones Indices will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

To participate in this consultation, please respond to S&P Dow Jones Indices at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P Dow Jones Indices makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P Dow Jones Indices decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

CONSULTATION

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than based on any other provider in the world. With over 1,000,000 indices and more than 120 years of experience constructing innovative and transparent solutions, S&P Dow Jones Indices defines the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spdji.com.

FOR MORE INFORMATION:

S&P Dow Jones Indices

index_services@spglobal.com