

Small-cap stocks now eligible for inclusion in FTSE Blossom Japan Index

- Japanese small-cap stocks will be added to the FTSE Blossom Japan Index for the first time at the December 2020 semi-annual review
- Underlying benchmark switched to FTSE All Cap Japan Index following market consultation to include small-cap stocks
- Inclusion follows previous expansion of FTSE Russell's ESG Ratings coverage of Japanese small-caps to 1,300

FTSE Russell, the global index, data and analytics provider, will add Japanese small-cap stocks to its flagship domestic ESG index, the FTSE Blossom Japan Index from December 2020. Constituents of the FTSE Blossom Japan Index need to meet certain environmental, social and governance standards.

The decision follows the results of a market consultation in which investors expressed support for the addition of small-cap stocks, highlighting the growing demand for ESG coverage in Japan.

To enable this change, the underlying benchmark will be switched from the FTSE Japan Index to the FTSE All Cap Japan Index, effective from the December 2020 index review. Approximately, 15% of securities in the FTSE All Cap Japan will qualify for inclusion in FTSE Blossom Japan. However, the constituents of the FTSE Blossom index together make up 55% of the FTSE Japan All Cap Index in terms of investable market cap.

Launched in 2017, the FTSE Blossom Japan Index is constructed using FTSE Russell's ESG Ratings data model, which draws on existing international ESG standards, including the UN Sustainable Development Goals. The inclusion thresholds are aligned with the globally established FTSE4Good Index Series and require an ESG Ratings score of 3.3 out of 5 for inclusion for developed markets such as Japan. 940bn JPY or \$9bn of passive investor assets are passively tracking this index, as of 31 March 2020.

The FTSE Blossom Japan Index is part of FTSE Russell's extensive multi-asset sustainable investment index and data offering, which includes ESG Ratings on more than 7,200 listed securities.

Tadashi Tago, Head of Information Services, Japan, London Stock Exchange Group said: "The FTSE Blossom Japan Index continues to provide securities with a strong incentive to improve their ESG practices and disclosure in order to achieve index eligibility. Following a market consultation, investors agreed that eligibility should be widened to include Japanese small-caps, both in recognition of the firms that already meet the inclusion criteria, and as a strong incentive to those that do not yet do so. Small-cap securities represent an important component of Japan's equity market. That is why we recently expanded our ESG Ratings coverage to 1,300 of these dynamic, growing securities."



Helena Fung, Head of Sustainable Investment, APAC, FTSE Russell said: “Japanese investors are often at the forefront of innovation in sustainable investment across Asia-Pacific. FTSE Russell’s decision to add small-cap securities to its flagship ESG equity index in the region reflects investor demand for securities that perform strongly in environmental, social and governance metrics, regardless of size and a desire to apply ESG criteria consistently across portfolios.”

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Press Release

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