

# Impacts of Index Revisions on Firm Value: Empirical Evidence in Japan

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## Abstract

This paper analyzes the effects of being removed from a stock index on stock returns and firm value. As passive investment funds that tracks index grow, the mechanical selling associated with index changes has become more noticeable. This study focuses on the revisions of TOPIX, a major Japanese stock index, and examines the impacts on over 400 companies that are removed from it using an event study methodology. While previous research on global indices such as the S&P 500 has observed negative effects on the stocks removed, this study so far finds no significant negative impact on the stocks removed from TOPIX, possibly due to their very small size. (Further analysis added. Changes to come later.)

*JEL classification:* G12, G14

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