

(Reference Translation)

# TSE Index Guidebook (TOPIX New Index Series - Size-based TOPIX Sub-Indices)

March 4, 2024  
JPX Market Innovation & Research, Inc.

Published: December 22, 2023

DISCLAIMER: This translation may be used for reference purposes only. This English version is not an official translation of the original Japanese document. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. This translation is subject to change without notice. JPX Market Innovation & Research, Inc., Japan Exchange Group, Inc., Tokyo Stock Exchange, Inc., Osaka Exchange, Inc., Tokyo Commodity Exchange, Inc., Japan Exchange Regulation, and/or their affiliates shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy,

## Contents

Record of Changes .....	3
Introduction .....	4
I. Outline of Indices .....	4
II. Index Calculation .....	5
1. Formula .....	5
2. Index Type .....	5
3. Inclusion or Removal of Constituents .....	6
III. Other .....	11
1. Publication/Dissemination of Index Data .....	11
2. Licensing .....	11
3. Contact .....	11

## Record of Changes

DATE	Changes
2018/7/23	* First Edition
2018/8/17	* Added "TOPIX Small 500" (Launch Date: October 9,2018)
2019/8/30	* Modified an error
2020/3/31	* Revised the date for adjusting base market value following the shortening of stock settlement cycle to T+2
2020/6/30	* Revision to bring forward the date for minor adjustments related to ex-dividend
2020/12/25	*Clarification of the treatment of section transfers, etc.
2022/4/4	*Revisions pertaining to cash equity market restructuring *Added revisions with regard to the business transfer to JPXI (applied on April 1, 2022 retroactively)
2023/2/13	* Revised the configuration regarding formula, etc. to follow "Index Calculation Guidebook"
2023/12/22	* Added "TOPIX Micro Cap" (Launch Date: March 4,2024)

**Introduction**

- JPX Market Innovation & Research, Inc. (hereinafter the “JPXI”) calculates and publishes TOPIX New Index Series and Size-based TOPIX Sub-Indices in accordance with the methods described in this document. If an event not specified in this document occurs, or if JPXI determines that it is difficult to use the methods described in this document, JPXI may use an alternative method of index calculation as it deems appropriate.
- Copyright of this document is owned by JPXI and any copies, reprints, and reproductions of this document in whole or in part are prohibited without the prior approval of JPXI. This document is prepared solely for the understanding of indices calculated and published by JPXI, and is not to be construed as a solicitation for trading any securities or related financial instruments. Information expressed in this document is subject to change without notice; and, in those cases, JPXI undertakes no obligation to update any recipients of this document. JPXI shall accept no liability or responsibility for any loss or damage arising from errors, delays, or termination of the calculation or publication of TOPIX New Index Series and Size-based TOPIX Sub-Indices, changes to its calculation or publication method, the use of TOPIX New Index Series and Size-based TOPIX Sub-Indices or all or any part of this document or other similar events.

**I. Outline of Indices**

- TOPIX New Index Series classifies TOPIX constituents into TOPIX Core30, TOPIX Large70, TOPIX 100, TOPIX Mid400, TOPIX 500, TOPIX Small, TOPIX 1000, TOPIX Small500, and TOPIX Micro Cap based on free-float adjusted market capitalization (after applying a liquidity factor as set in the Free Float Weight Calculation Methodology, the TOPIX cap-adjustment ratio, and a transition factor. The same shall apply hereinafter) and liquidity.

Size-based TOPIX Sub-indices	TOPIX New Index Series			
Large-cap Stocks	Core30	TOPIX 100	TOPIX 500	TOPIX 1000
	Large70			
Medium-cap Stocks	Mid400	[REDACTED]	TOPIX Small500	TOPIX Micro Cap
Small-cap Stocks	Small			

- In order to accurately reflect market movements, JPXI conducts an annual review of the constituents of the indices in TOPIX New Index Series in October.
- As a general rule, the number of constituents in TOPIX Core30, TOPIX Large70, TOPIX 100, TOPIX Mid400, TOPIX 500, TOPIX 1000, and TOPIX Small 500 are 30, 70, 100, 400, 500, 1000, and 500, respectively. After the October Review, the number of constituents may increase or decrease due to inclusions of constituents at the Monthly Review or delisting of constituent companies.
- The base date and base value for each index is indicated below:

<b>Index</b>	<b>Base Date</b>	<b>Base Point</b>
TOPIX New Index Series TOPIX Core30 TOPIX Large70 TOPIX 100 TOPIX Mid400 TOPIX 500 TOPIX Small	1998/04/01	1,000
TOPIX 1000	2003/09/12	1,000
TOPIX Small500	2018/08/31	1,000
TOPIX Micro Cap	2023/08/18	10,000
Size-based TOPIX Sub-Indices	1968/01/04	100

## II. Index Calculation

### 1. Formula

- TOPIX New Index Series and Size-based TOPIX Sub-Indices are calculated using free-float adjusted market capitalization weighting.
- The formula, adjustment of base market value, etc. are in accordance with "Index Calculation Guidebook".
- For index calculation, the following is applied: a liquidity factor as set in "Free Float Weight Calculation Methodology", the TOPIX cap-adjustment ratio, and a transition factor.

### 2. Index Type

- JPXI calculates both price and total return versions of TOPIX New Index Series and Size-based TOPIX Sub-Indices.
- The method of reflecting dividends in index values is in accordance with "Index Calculation Guidebook".

### **3. Inclusion or Removal of Constituents**

#### **(1) October Review**

##### **a. Summary**

- At the October Review, TOPIX constituents are included in and removed from the TOPIX New Index Series based on liquidity and free-float adjusted market capitalization as of the base date for the October review (hereinafter the “rebalance base date”), which is the last business day of August.
- The list of constituent changes is published on the fifth business day of October, and index calculation applying such constituent changes will begin on the last business day of October.

##### **b. TOPIX Core30 selection**

(a) First, the 15 largest stocks by free-float adjusted market capitalization are selected from the top 90 stocks out of TOPIX constituents based on total trading value during the last three-year period (trading value is from auction trading on TSE. The same shall apply hereinafter).

(b) Remaining 15 constituents

i Out of the current TOPIX Core30 constituents, the 15 largest stocks by free-float adjusted market capitalization as of the rebalance base date are selected. These 15 stocks must be from the top 90 stocks out of TOPIX constituents based on total trading value during the last three-year period and must also be ranked within the top 40 stocks by free-float adjusted market capitalization as of the rebalance base date.

ii If it is not possible to select 15 stocks in accordance with the procedures above, the remaining stocks will be selected from the top 90 stocks out of TOPIX constituents based on total trading value during the last three-year period.

##### **c. TOPIX 100 selection**

(a) First, the TOPIX Core30 constituents are selected.

(b) Remaining 70 constituents

i Out of the current TOPIX 100 constituents, the 70 largest stocks by free-float adjusted market capitalization as of the rebalance base date are selected. These 70 stocks must be from the top 200 stocks based on total trading value for the last three-year period and must also be ranked within the top 130 stocks by free-float adjusted market capitalization as of the rebalance base date.

ii If it is not possible to select 70 stocks in accordance with the procedures above, the remaining stocks will be selected from the top 200 stocks out of TOPIX constituents based on total trading value during the last three-year period.

**d. TOPIX 500 selection**

(a) First, the TOPIX 100 constituents are selected

(b) Remaining 400 constituents

i Out of the current TOPIX 500 constituents, the 400 largest stocks by free-float adjusted market capitalization as of the rebalance base date are selected. These 400 stocks must be from the top 1,000 stocks based on total trading value during the last three-year period and must also be ranked within the top 600 stocks by free-float adjusted market capitalization as of the rebalance base date.

ii If it is not possible to select 400 stocks in accordance with the procedures above, the remaining constituents will be selected from the top 1,000 stocks out of TOPIX constituents based on trading value during the last three-year period.

**e. TOPIX 1000 selection**

(a) First, the TOPIX 500 constituents are selected.

(b) Remaining 500 stocks

i Out of the current TOPIX 500 constituents, the 500 largest stocks by free-float adjusted market capitalization as of the rebalance base date are selected. These 500 stocks must be from the top 1,200 stocks out of TOPIX constituents based on total trading value during the last three-year period and must also be ranked within the top 1,200 stocks by free-float adjusted market capitalization as of the rebalance base date.

ii If it is not possible to select 500 stocks in accordance with the procedures above, the remaining constituents will be selected from the top 1,200 stocks out of TOPIX constituents based on total trading value during the last three-year period.

**f. TOPIX Small selection**

All stocks in TOPIX constituent universe excluding those in TOPIX 500

**g. TOPIX Large70 selection**

Constituents of TOPIX 100 excluding those in TOPIX Core30

#### **h. TOPIX Mid400 selection**

Constituents of TOPIX 500 excluding those in TOPIX 100

#### **i. TOPIX Small500 selection**

Constituents of TOPIX 1000 excluding those in TOPIX 500

#### **j. TOPIX Micro Cap selection**

All stocks in TOPIX constituent universe excluding those in TOPIX 1000

### **(2) Monthly review (inclusion only)**

#### **a. Summary**

- Issues newly included in TOPIX are included into the TOPIX New Index Series indices during the “Monthly Review”. These issues are selected based on liquidity and free-float adjusted market capitalization as of the base date for the monthly review.
- The base date for the monthly review is the last business day of every month (last business day of the month of an initial listing). The list of constituent inclusions is published on the fifth business day of every month (fifth business day of the month after that of an initial listing) and index calculation applying such constituent inclusions will begin on the last business day of every month (last business day of the month after an initial listing).

#### **b. Criteria for inclusion**

- As a general rule, newly listed companies will be added to TOPIX Small. However, stocks with a large free-float adjusted market capitalization and trading value (stocks that satisfy at least the following criteria as of the last business day of the month preceding that of inclusion) will be added to TOPIX Core30, TOPIX Large70, TOPIX Mid400 respectively. However, as long as a newly listed company does not satisfy at least the criteria for TOPIX Mid400, it will not be included in the TOPIX 1000.

Index	Free-Float adjusted Market Capitalization Ranking	Trading Value Ranking
TOPIX Core30	Top 20	Top 90
TOPIX Large70	Top 70	Top 200
TOPIX Mid400	Top 400	Top 1,000

### **(3) Removal of constituents in addition to the periodic review**

- If an issue is removed from TOPIX, it will be removed from the TOPIX New Index Series



and Size-based TOPIX Sub-Indices.

**(4) Inclusion of constituents in addition to the periodic review**

- In cases where a company in the TOPIX New Index Series and Size-based TOPIX Sub-Indices is delisted due to a stock transfer, stock swap, merger for creating a new company or demerger, and the surviving or succeeding company is promptly listed and included in TOPIX, the stocks of such new company will be included in whichever index of the TOPIX New Index Series and Size-based TOPIX Sub-Indices in which the delisted company was included that includes the issues with the highest liquidity and largest free-float adjusted market capitalization.

Example: If both Company A in TOPIX Core30 and Company B in TOPIX Large70 are delisted due to a stock-swap and Company C, the newly established holding company, is promptly listed and included in TOPIX, then Company C will be added to TOPIX Core30.

- Even though the number of constituents may decrease due to delisting between the periodic reviews, no supplementary inclusions are made to meet the intended number of constituents for each index (inclusions to meet the intended number of constituents for each index are only made during the October Review).

**(5) Dates of constituent inclusion and removal**

	<b>Event Requiring Adjustment</b>	<b>Adjustment Date</b>
<b>Inclusion</b>	New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a TOPIX New Index Series and Size-based TOPIX Sub-Indices constituent being delisted and the new company being included in TOPIX New Index Series and Size-based TOPIX Sub-Indices. (*2)	New listing date (*3)
	Delisting of a TOPIX New Index Series and Size-based TOPIX Sub-Indices constituent due to a stock swap or an absorption-type merger with a surviving stock that is not a constituent of the same index, and the surviving stock is included in the same index. (*2)	Delisting date

	<b>Event Requiring Adjustment</b>		<b>Adjustment Date</b>
	Inclusion into TOPIX		Date of inclusion into TOPIX
	Periodic review in October		Last business day of October
<b>Removal</b>	Delisting	New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a TOPIX New Index Series and Size-based TOPIX Sub-Indices constituent being delisted and the new company being included in TOPIX New Index Series and Size-based TOPIX Sub-Indices.	Listing date of the newly formed company (normally two business days following delisting date)
		Delisting other than those stated above (e.g. mergers/acquisitions between two TOPIX New Index Series and Size-based TOPIX Sub-Indices constituents with surviving company remaining as a TOPIX New Index Series and Size-based TOPIX Sub-Indices constituent, etc.)	Delisting date
	Removal from TOPIX		Date of removal from TOPIX
	Periodic review in October		Last business day of October

\*1: Stock transfer, stock swap, merger for creating a new company, or demerger.

\*2: The new company or surviving stock will be included in whichever index of the TOPIX New Series and Size-based TOPIX Sub-Indices in which the delisted company was included that includes the issues with the highest liquidity and largest free-float adjusted market capitalization.

\*3: Next business day when the new listing date falls on a holiday.

### **III. Other**

#### **1. Publication/Dissemination of Index Data**

##### **(1) Index Values**

- The price index values of TOPIX Core30, TOPIX Large70, TOPIX 100, TOPIX Mid400, TOPIX 500, TOPIX Small, TOPIX 1000, and TOPIX Small500 are disseminated in real-time through the Market Information System to securities companies, news media, and other institutions all over the country. The TOPIX Core30, TOPIX500 and TOPIX1000 price index are disseminated every second, and other indices are disseminated every 15 seconds.
- The price index value of TOPIX Micro Cap and the Total Return Index are disseminated daily at market close.

##### **(2) Index Data**

- Index data relating to TOPIX New Index Series and Size-based TOPIX Sub-Indices (base market value, number of shares for each constituent, etc.) is provided for a fee through the Tokyo Market Information service.

#### **2. Licensing**

- JPXI and/or its affiliates reserve all calculation, publication and other rights pertaining to TOPIX New Index Series and Size-based TOPIX Sub-Indices. As such, commercial use of such indices in the composition and/or sale of financial products such as funds or linked bonds (including using the index as the basis for options, swaps, warrants, or other OTC derivatives) or provision of index data requires a license from JPXI.

#### **3. Contact**

JPX Market Innovation & Research, Inc.

Index Business Department

E-mail : [index@jpx.co.jp](mailto:index@jpx.co.jp)