

(Reference Translation)

Fifth Index Advisory Panel

Meeting Summary

1. Date and time: Wednesday, July 9, 2025, 3:30 p.m. to 4:50 p.m.

2. Location: KABUTO ONE

3. Attendees (company names in Japanese syllabary order)

Asset Management One Co., Ltd. Senior Executive Product Strategy Department Product Division	Koei Imai
Daiwa Asset Management Co. Ltd. Senior Management Director Fund Management Division Head of Beta Management & Investment Solution Department	Jun Matsumoto
Tokio Marine Asset Management Co., Ltd. Group Leader Quantitative Investment Group Investment Solution Department	Yasuhiro Ohneda
Nikko Asset Management Co., Ltd. Head of ETF Business Division Deputy Head of Product & Solution Division	Junichiro Ariga
Nissay Asset Management Corporation Chief Portfolio Manager Quantitative Investment Department	Kota Takada
Government Pension Investment Fund Investment Department, Senior Director	Hiroyoshi Ueno
Norinchukin Zenkyoren Asset Management Co., Ltd. Executive Officer Co-Chief Investment Officer	Junichi Hasebe
Nomura Asset Management Co., Ltd. Senior Investment Officer	Isao Uesaki
BlackRock Japan Co., Ltd. Head of Index Equity	Naoto Furukawa
Sumitomo Mitsui DS Asset Management Company, Limited Investment Planning Department, Manager	Shinji Asai
Sumitomo Mitsui Trust Asset Management Co., Ltd. Co-Chief Stewardship Officer Stewardship Development Department	Kenichiro Ono

Mitsubishi UFJ Asset Management Co., Ltd. Deputy General Manager & Chief Fund Manager Equity Investment Group Index Investment Division	Hiroaki Minaka
Mitsubishi UFJ Trust and Banking Corporation Deputy General Manager Asset Management Division	Naoki Takebe
Resona Asset Management Co., Ltd. General Manager Index Investment Division	Kazuo Konishi

#### 4. Agenda

- (1) Status of index management
- (2) Status of response to opinions from the previous panel (expansion and organization of indices line-up)
- (3) Status of response to opinions from the previous panel (index promotion and information transmission)

#### 5. Outline of Comments From the Panel

- Expansion and organization of indices line-up
  - ・ Though they are difficult to create, indices that are simple, easy to understand, and perform well tend to attract to investors.
  - ・ For example, developing a new index based on existing indices and consisting of candidates selected from those indices would make the concept easier to understand and generate expectations for future growth.
  - ・ The growth potential and performance of index constituents is certainly important. On the other hand, the product and service sectors are diverse, encompassing a wide range of offerings such as investment trusts and discretionary investment services. If JPXI can develop indices with features other than performance that also meet the demands of investors and make the business sustainable, it is desirable to push such developments forward.
  - ・ We want JPXI to develop custom indices (indices for which JPXI develops the calculation rules and other matters according to the needs of asset management companies and provides them mainly to such companies) considering the needs of asset management companies with due consideration of costs. Even if they are not commercialized, it is possible to deepen the internal knowledge of asset management companies and other companies by sharing the results of back testing and analysis with such companies.
  - ・ When suspending an existing index, it is necessary to set a sufficient notice period in advance and to consider a new alternative index, as is currently being conducted by JPXI.
  - ・ Though Kyodai-Kawakita/JPX Japan Index was recently suspended, it served as a reference and there were some positive points regarding the selection standards of the index constituents. We

expect to see JPXI continue to proactively develop new indices.

- Regarding the organization of the position of each index in the line-up JPXI provides, as discussed in the previous Index Advisory Panels, it is also important to consider the perspectives from which the organization should operate. Organization based on a risk-return profile is common. In addition, for example, it may be useful for index users if JPXI classified indices based on the needs of investors and asset managers with different attributes, such as those listed below, and to devise ways to present them.
  - Retail investor: Indices which are easy to understand with clear equity stories
  - Institutional investor (seeking risk diversification): Indices which have different risk and return characteristics
  - Institutional investor (focusing on risk management): Indices with small deviations from policy benchmarks
  - Institutional investor (aiming to solve social issues): Indices based on impact
  - Asset manager: Indices designed to provide betas at low cost

#### ○ Index Promotion and Information Provision

- JPXI could provide a clearer understanding of asset management companies and investors by clarifying the position of each index and mapping all indices including not only new indices but also existing indices provided by JPXI, and distributing them.
- The improvements that JPXI made to the fact sheets are commendable, namely the content and frequency of updates from yearly to monthly for both the Japanese and English versions. In the future, the fact sheets can be further improved by adding ESG information.
- JPXI's strength as an index vendor, which other index vendors do not have, is that JPXI belongs to JPX Group and has the ability to develop and operate indices with a keen eye on the operation of the securities market. This position can be fully leveraged to effectively market the Japanese market itself as a product. The ongoing efforts by JPX Group to reform market systems, including TSE's market restructuring, and to enhance corporate governance are also potential selling points. These initiatives are particularly appealing to overseas investors, who are increasingly interested in future developments and changes. By combining this information with the appeal of TOPIX, they could further enhance its appeal and foster investor expectations.
- When comparing long-term past returns, it is undeniable that Japanese stock indices have not been able to match overseas stock indices. Nevertheless, following TSE's market restructuring, corporate governance reforms, etc., it is fair to say that the Japanese market has grown significantly over the past five to ten years.
- It is necessary to appeal further with quantitative data the fact that sharing profits with shareholders is actively conducted in Japan.

- Regarding the provision of information in English, a certain report says “detailed stock market information is not always readily available in English” in Japan and “Japan is the only Developed Market where companies’ corporate governance standards have often been questioned by international institutional investors.” I cannot help but be surprised, especially with the latter. I think that the problem lies not in the activities of Japanese companies themselves but in the fact that such activities are not reported in English.
- It is important for both listed companies and index vendors to release more information in English in order to attract capital from overseas.
- Overseas promotional activities, including those in Asia, Europe, and the United States, should be conducted actively.

#### ○ TOPIX Revisions

- I think the current, gradual revision of TOPIX is enhancing its appeal. The key now is how to attract overseas institutional investors.
- The convenience of TOPIX has certainly been improving. It is also essential to continue fostering a sense of anticipation by conveying its attractiveness as an investable index both domestically and internationally.
- While the explanation that investment functionality has been improved as a result of the revisions of TOPIX is convincing, there is still room for improvement, given the size of the linked assets, which are approximately JPY 100 trillion
- It is possible to improve the appeal to foreign investors by visualizing how the activities of JPX Group as a whole, including in areas other than stock indices, such as TSE’s market restructuring and information about cost of equity and the impact of these changes on the index constituent selection system, are affecting TOPIX’s performance.
- Regarding TOPIX, it is important not only to explain the situation before the revisions, but also how TOPIX has become a more attractive index after them. When providing such explanations, it is effective to tell the story behind the TOPIX revisions using not only the results of quantitative analysis but also qualitative information. For example, JPXI needs to break down in plain language the how TOPIX has improved its attractiveness by changing its index constituent selection system, thereby decreasing the number of the index constituents. They should also explain JPXI’s expectations as an index calculator for the revisions of TOPIX.

#### ○ ESG Index

- I get the impression that the expanding and spreading of ESG indices to institutional investors is insufficient. I do not see this as solely attributable to the influence of the U.S. administration.
- The explanation regarding performances of ESG indices is never easy. The explanation of beta, i.e.,

the risk of deviation from TOPIX, is far from sufficient. Such a situation may be one of the reasons for the lack of expansion seen by ESG indices. It is necessary to attempt to analyze quantitatively how the non-financial information can influence the stock price and corporate value of individual constituents and, in turn, how it can reflect the performances of indices.

- The explanation for the performance of ESG indices, including an analysis of factors such as why they rise or decline during specific periods is insufficient. Passive funds are not particularly accountable for index performances. Index vendors may need to address this issue.
- Recently, the method for measuring the influence of ESG information on corporate finance is evolving and other index vendors seem to be starting to prepare such data.
- Confirming the liquidity of each constituent and the rules for setting buffers in rebalancing constituents are necessary for the best-in-class ESG indices due to the limitations on the number of constituents. In the near future, indices whose risk of deviation from the benchmark are restricted by ensuring a certain number of constituents, or indices adapting the tilting type, are predicted to be favored by institutional investors.

○ Approach to Addition and Deletion of Index Constituents, etc.

- Keeping in mind so-called large TOBs and TOBs aiming for complete subsidiary acquisition, there may be room to introduce additional options to move up the timing of extraordinary reviews of free float weighting of issues subject to TOB and deletion from the index constituents to allow for an earlier date than the current one, depending on the level of TOB rate and the size of the target issue's market capitalization.
- Considering the current state of the market, it seems that rules regarding the addition of stocks that have seen sharp rises in prices and market capitalization to indices are becoming increasingly important.
- The indices handled by our company continue to increase, and we are promoting the automation of index management within the company. Given this situation, we expect that consideration of consistency with the files provided by global index vendors, etc., in terms of the format of index files and data items provided by JPXI will further improve the efficiency of index management at investment companies.
- If the data of assets under management of linked assets of each index are disclosed, the interests of investors are expected to improve further. In fact, asset management companies have already received inquiries from overseas investors regarding such data.
- We expect the further development of JPX data services through the data analysis platform on cloud services.
- For ease of asset management by passive fund managers, it is important that index futures exist with a certain degree of liquidity and practical availability.

(This summary is provided by the Index Business Department at JPXI.)