

(Reference Translation)

As of May 14, 2021
Tokyo Stock Exchange, Inc.

Questions and Answers regarding "Revisions of TOPIX and Other Indices"

Tokyo Stock Exchange, Inc. (hereinafter "TSE") published its proposed "Revisions of TOPIX and Other Indices" as an index consultation on December 25, 2020 and is seeking comments until February 26, 2021. TSE also reopened the index consultation on revisions to the Tokyo Stock Exchange Mothers Index from March 26, 2021 to April 9, 2021. TSE published the results for these consultations on April 30, 2021.

Below we have summarized, of the various questions received so far, the comparatively frequently asked questions and our main responses to them.

No.	Question	TSE's Response
1. Revisions of TOPIX		
1-1	Will the name of TOPIX (Tokyo Stock Price Index) be changed?	- No, the name of TOPIX (Tokyo Stock Price Index) will not be changed.
1-2	How do we submit the information necessary for the second decision evaluating "phased weighting reduction constituents"?	- For those companies whose tradable share market capitalization is less than JPY 10 billion as of the "Notice on Whether the Listed Company is Meeting the Continued Listing Criteria for New Market Segments", which has a base date of June 30, 2021, TSE plans to accept, by the last business day of August 2022, the re-submission of share distribution figures as of the end of the next reporting period by the new method specified in the "second set of revisions pertaining to cash equity market restructuring". TSE will inform each company directly of detailed procedures.
1-3	What are selection rules going to be for TOPIX after the staged transition?	-The current index consultation is seeking comments about our proposed transition plans with the aim of further improving the functionality of TOPIX as an investable

Disclaimer: This English translation is for reference purpose only and not a legally definitive translation of the original Japanese text. In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

(Reference Translation)

No.	Question	TSE's Response
		<p>index while maintaining continuity.</p> <p>- As for selection rules for TOPIX constituents after these revisions, TSE plans to finalize them upon gathering opinions through a separate index consultation once the results of this index consultation are published, after considering them internally.</p>
1-4	<p>For those constituents whose transition factors are maintained at 0.6 after the re-evaluation of phased weighting reduction constituents, will the transition factors stay at the same level even after the transition is finished?</p>	<p>- This will be considered once the results of this index consultation are published, as part of the separate planned index consultation on selection rules for TOPIX constituents.</p>
<p>2. Revisions of Other Indices</p>		
2-1	<p>What kind of indices are the indices for new market segments?</p>	<p>- The indices for new market segments (the TSE Prime Market Index, TSE Standard Market Index, and TSE Growth Market Index) will be stock indices comprised of domestic common stocks listed on each of the newly established markets. They are planned to be calculated and disseminated once a day as statistical indicators which show the trends of each market.</p>
2-2	<p>Will TSE provide an index in accordance with the current TOPIX calculation methodology?</p>	<p>- In light of the fact that the final report of the Expert Study Group on Capital Markets in Japan of the Financial System Council, published in December 2019, stated that "calculating the current TOPIX as a transitional measure for the time being is considered appropriate", TSE plans to calculate and publish the "Ex-TSE First Section Index" which will maintain the TOPIX constituents as of immediately before the implementation date of the new market segments during the TOPIX transition period.</p>

Disclaimer: This English translation is for reference purpose only and not a legally definitive translation of the original Japanese text. In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

(Reference Translation)

No.	Question	TSE's Response
2-3	What are the differences between TOPIX, Market Capitalization Weighted TOPIX (Ex-TOPIX) and Ex-TSE First Section Index?	<ul style="list-style-type: none"> - Market Capitalization Weighted TOPIX (Ex-TOPIX) was launched on the day that the concept of free float weight (hereinafter "FFW") ratios was introduced to TOPIX (October 31, 2005) as an alternative TOPIX for which FFW had not been introduced, using the closing price from October 28, 2005 as TOPIX's closing price. - Accordingly, although its constituents are the same as those of TOPIX, the two indices are different in that this index is calculated using the market capitalization weighted method while TOPIX is calculated using the free-float adjusted market capitalization method. - Since "Ex-TSE First Section Index" will be calculated maintaining the TOPIX constituents as of immediately before the implementation date of the new market segments, its constituents will be different from TOPIX, but it will be calculated using the same method, which is free float adjusted market capitalization. In addition, TSE plans to calculate an Ex-TSE First Section Index for the TOPIX transition period as a reference indicator for the transition.
2-4	Will TSE include the transition factor in the FFW ratios to be used for calculating sector indices and size-based indices, etc.?	- TOPIX Sector Indices, TOPIX-17 Series, Size-based TOPIX Sub-Indices, TOPIX New Index Series, TOPIX Style Index Series, and TOPIX Ex-Financials, which are based on the TOPIX universe, will be calculated using the TOPIX post-cap-adjusted FFW ratios. The transition factor will be included in said FFW ratios.
3. Revision of Calculation Method for FFW Ratios		
3-1 (Update)	- You say that "the shareholder data that serves as the basis for the FFW ratio calculation will be	- Currently, non-free-float shares ratios are calculated after estimating the number of non-free-float shares by reference to a listed company's disclosed materials including

Disclaimer: This English translation is for reference purpose only and not a legally definitive translation of the original Japanese text. In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

(Reference Translation)

No.	Question	TSE's Response
	collected from external sources. TSE will designate shares as free-float shares based on the names of shareholders as indicated in said sources", but specifically, what kind of data will TSE use?	<p>securities report. Specifically, it is calculated based on shares held by the top 10 major shareholders, treasury stock, and shares held by board members and other representatives as reported in the company's securities report.</p> <ul style="list-style-type: none">- After this revision, so-called strategic shareholdings will be newly designated as non-free-float shares, but in terms of the information used for this, we will continue to reference listed companies' securities reports in the same way as we have for calculating FFW ratios until now.- While the practicalities of designating strategic shareholdings mean that we will use data provided by TOYO KEIZAI INC. which is information contained in securities reports collated into a database.
3-2 (Update)	When will TSE provide post-transition FFW ratios?	<ul style="list-style-type: none">- Post-transition FFW ratios applied on the last business days of April, May and June will be provided through the Tokyo Market Information (TMI) service on the fifth business day of April 2022, which is the first transition date.- After above announcement, the results for FFW periodic review will be announced through Index Data Services on the 5th business day of the month to which the adjustment date belongs.
3-3	Does TSE include deemed holdings of equity securities in specified equity securities?	<ul style="list-style-type: none">- The specified equity securities (shares held for purposes other than pure investment) indicated in the securities report will be newly designated as non-free-float shares, but deemed holdings of equity securities will not be designated.
3-4 (Update)	Will FFWs change significantly due to the change in the calculation methodology?	<ul style="list-style-type: none">- Due to this change in the calculation method, certain fluctuations will occur, such as from newly designating "equity securities held for investment purposes other than pure investment" as indicated in the relevant section in the securities report

Disclaimer: This English translation is for reference purpose only and not a legally definitive translation of the original Japanese text. In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

(Reference Translation)

No.	Question	TSE's Response
		<p>(i.e. strategic shareholdings) as non-free-float shares. However, as explained in the index consultation, we estimate that this fluctuation can be alleviated to within the degree of fluctuation of a normal free-float periodic review, by transitioning it in three stages.</p> <ul style="list-style-type: none">- Regarding this, to ensure the further reduction of market impact and provide opportunities to reflect the efforts of listed companies which have a lot of room to increase free-float shares, for stocks whose free-float weight based on the current calculation methodology minus the free-float weight based on the new calculation methodology exceeds 0.1, the upper limit of the fluctuation during the transition period will be set to 0.1. The same upper limit will be applied to post-transition periodic reviews of the free-float weight, which will be carried out according to the fiscal year end of each company after July 2022.
3-5	Please provide us with the revised definitions of tradable shares and free-float shares.	<p>-Please see the JPX website.</p> <p>(Tradable shares) https://www.jpx.co.jp/english/rules-participants/public-comment/detail/d01/b5b4pj000003twnu-att/b5b4pj000003twpy.pdf</p> <p>(Free-float shares) 3. Revision of Calculation Method for Free-Float-Weight (FFW) Ratio https://www.jpx.co.jp/english/markets/indices/governance/index-consultation/20201225-01.html</p>

Disclaimer: This English translation is for reference purpose only and not a legally definitive translation of the original Japanese text. In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.