

1. TOPIX revisions plan outline



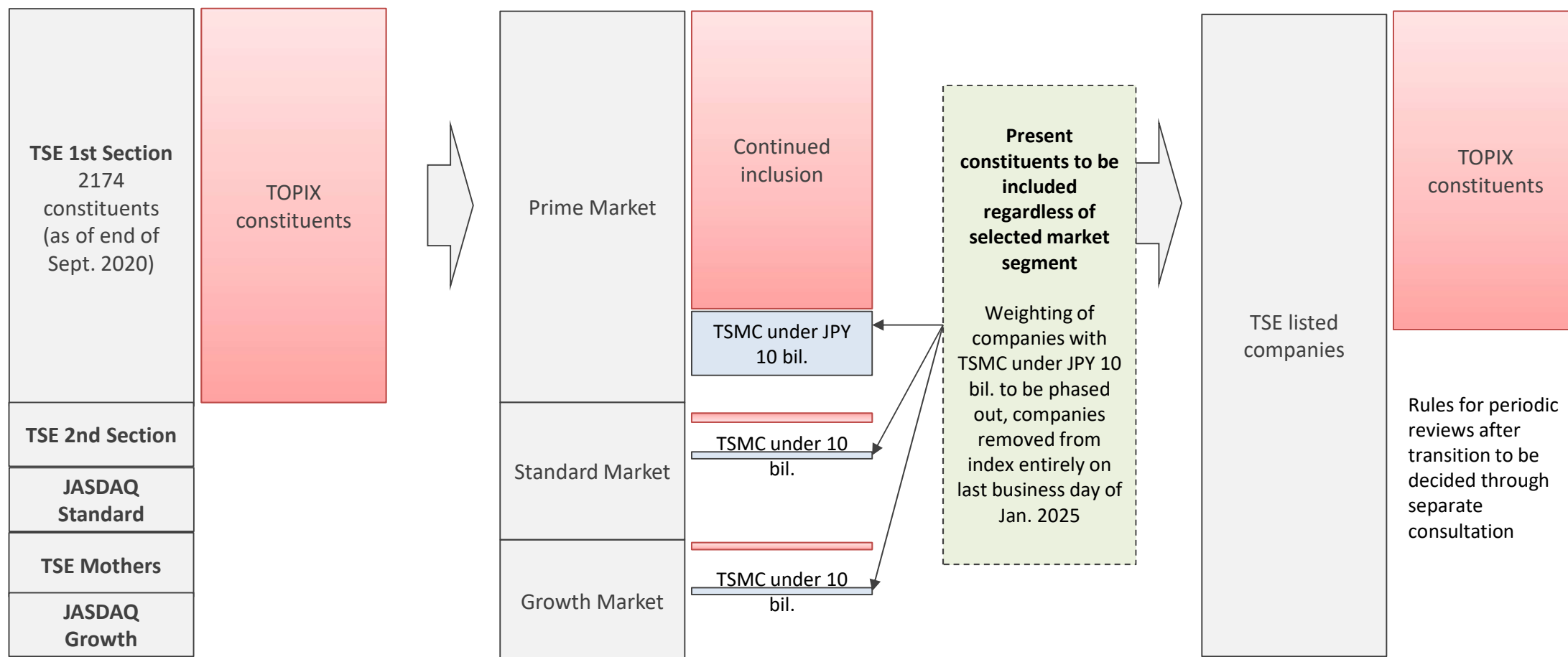
- TOPIX constituents as of the business day before the market restructure (April 1, 2022) will continue to be TOPIX constituents regardless of their selected market segment. However, constituents with a tradable share market capitalization (TSMC) of under JPY 10 billion will be designated as "phased weighting reduction constituents." Their weighting will be reduced in stages starting October 2022, and they will be removed from the index around four (4) years later at the end of January 2025.
- The transition will be carried out in stages until January 2025, in consideration of the impact on index users and the market, etc.
- Designations as phased weighting reduction constituents will be re-evaluated, to reflect any positive changes in TSMC that may have occurred.
- Companies which list for the first time during the transition period (April 2022 to the end of January 2025) will become TOPIX constituents only if they list on the Prime Market. TSE plans to run a separate consultation on topics concerning rules for periodic reviews after the transition, such as adding Standard Market and Growth Market initial listings to the index and putting an upper limit on the number of constituents.

<Schematic Diagram of TOPIX revisions>

TOPIX before revision

Transition period: April 2022 to end of January 2025 (planned)

Further topics to consider after revision

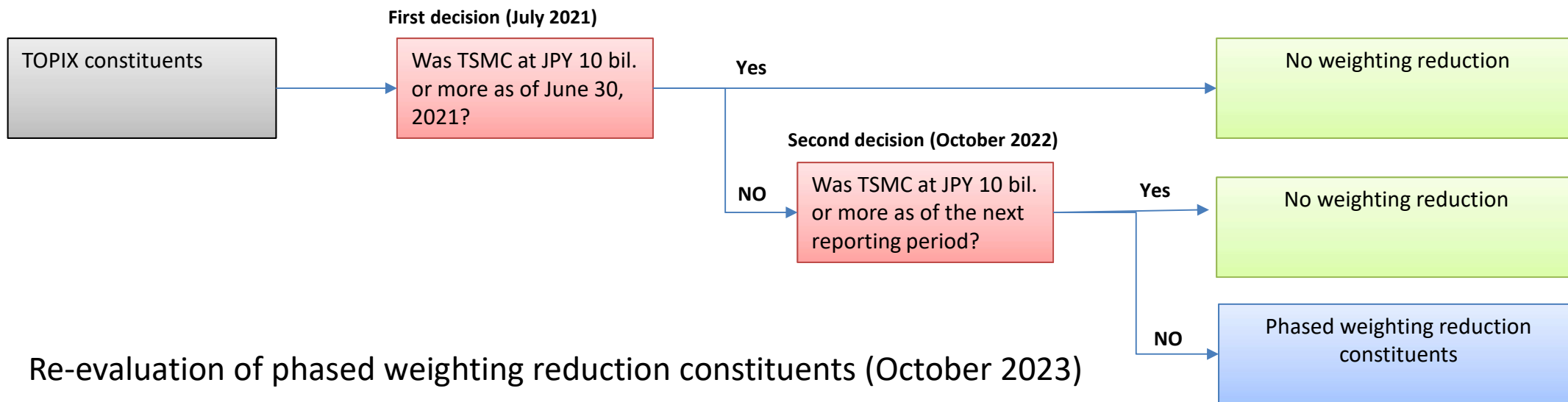


2. TOPIX calculation rules during transition

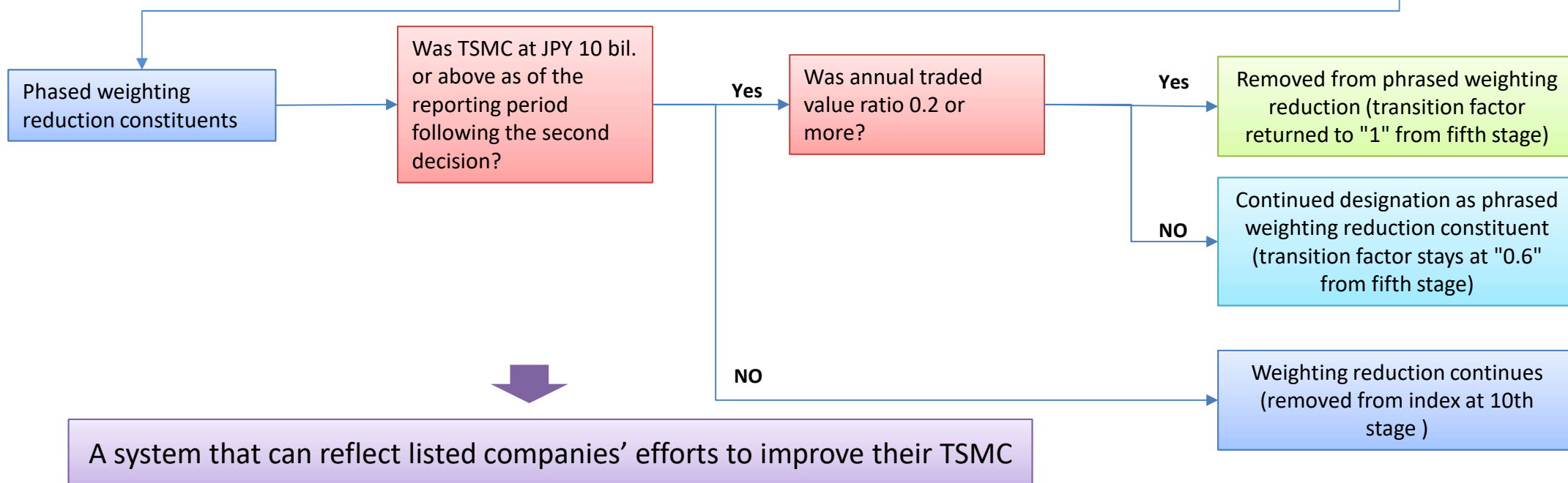
Rule	Details
TOPIX constituents on the market restructuring date (April 4, 2022)	TOPIX constituents as of the business day before the market restructure (April 1, 2022) will continue to be included.
Criteria for designation as phased weighting reduction constituent	<p>-Companies with TSMC of under JPY 10 billion TSMC will be confirmed first using the "Notice on whether the company is meeting the continued listing criteria for the new market segments" which has a base date of June 30, 2021, and for a second time using data from the next reporting period. A company will be designated if their TSMC is under JPY 10 billion on both these occasions.</p> <p>-TSE plans to publish the list of phased weighting reduction constituents on the fifth business day of October 2022.</p> <p>-A re-evaluation will be conducted to reflect increases in corporate value or tradable share ratios, or other improvements that may have occurred during the transition period. If a company's TSMC has increased to JPY 10 bil. or more as of the reporting period after the above decisions, the transition factor with which the weighting is calculated will not decrease further as of the 5th stage. If, as well as this, the company's annual traded value ratio for the most recent year was 0.2 or more, this transition factor will be returned to "1" as of the 5th stage and the company will be removed from the phased weighting reduction.</p>
Criteria for new inclusions after the restructuring date	<p>-Companies which conduct an initial listing on or transfer to the TSE Prime Market (added on the final business day of the month following the month of listing)</p> <p>-Technical listings whose previous companies were TOPIX constituents</p> <p>-Companies which conduct an initial listing on the First Section between March 1 and March 31, 2022, will be included in the index at the end of April 2022.</p> <p>-Companies which conduct an initial listing on the First Section on April 1, 2022 will be included at the end of May 2022.</p>
Exclusion criteria after the restructuring date	<p>-Designation as Securities to be Delisted or delisting</p> <p>-Securities on Alert (removed four (4) business days after the designation)</p>
Introduction of upper weighting limit (cap)	<p>TSE will introduce an upper limit on the weighting of any one constituent (10% cap)</p> <p>-The index will be rebalanced at the end of every October, with a base date of the end of August.</p>

-The reporting period used for TSMC data is subject to change depending on the practicalities of data collection within the Listing Department.

● Designation of phased weighting reduction constituents



● Re-evaluation of phased weighting reduction constituents (October 2023)



- Companies whose TSMC has grown to JPY 10 billion or more due to an improved tradable share ratio or increased corporate value, etc. will be re-evaluated as below.

-Change in free-float weight (FFW) ratio for phased weighting reduction constituents after the transition factor is applied (if the FFW ratio is 0.6)

	Designation of phased weighting reduction constituents as of end of June 2021 and the next reporting period	1st stage	2nd stage	3rd stage	4th stage	Re-evaluation	5th stage	6th stage	7th stage	8th stage	9th stage	10th stage
Timing			Oct. 2022	Jan. 2023	Apr.		Jul.		Oct.	Jan. 2024	Apr.	Jul.
FFW ratio after transition factor applied (current FFW ratio is 0.6)		$0.6 \times 0.9 = 0.54$	$0.6 \times 0.8 = 0.48$	$0.6 \times 0.7 = 0.42$	$0.6 \times 0.6 = 0.36$	1	$0.6 \times 0.5 = 0.3$	$0.6 \times 0.4 = 0.24$	$0.6 \times 0.3 = 0.18$	$0.6 \times 0.2 = 0.12$	$0.6 \times 0.1 = 0.06$	$0.6 \times 0 = 0$ (removed)
						2	$0.6 \times 0.6 = 0.36$ (reduction halted)	$0.6 \times 0.6 = 0.36$	$0.6 \times 0.6 = 0.36$	$0.6 \times 0.6 = 0.36$	$0.6 \times 0.6 = 0.36$	$0.6 \times 0.6 = 0.36$
						3	$0.6 \times 1 = 0.6$ (removed from designation)	$0.6 \times 1 = 0.6$	$0.6 \times 1 = 0.6$	$0.6 \times 1 = 0.6$	$0.6 \times 1 = 0.6$	$0.6 \times 1 = 0.6$

-Criteria for re-evaluation (the TSMC figure used for the re-evaluation will be from the reporting period after the one used for the second designation decision)

	Tradable share market capitalization	Annual traded value ratio for most recent year	Reduction of transition factor from Oct. 2023 (5th stage)	Comments
1	Under JPY 10 bil.	—	Continued until zero	TSE will publish a list of phased weighting reduction constituents on the JPX website on the 5th business day of October 2022
2	JPY 10 bil. or more	Under 0.2	Halted at 0.6	A list of companies meeting this criteria will be published on the JPX website on the 5th business day of October 2023
3	JPY 10 bil. or more	0.2 or more	Returned to 1 (company removed from designation)	Same as above

3. Estimations of impact of new rules

- Change in weighting of TOPIX constituents

	Change in weighting from current TOPIX
Present (as of Sept. 30, 2020)	100%
Transition period (planned for Apr. 4, 2022 to Jan. 31, 2025)	100% to 99% or more
Post-transition (planned for Jan. 31, 2025)	99% or more

- Proportion of current TOPIX weighting with TSMC under JPY 10 billion as of Sept. 30, 2020

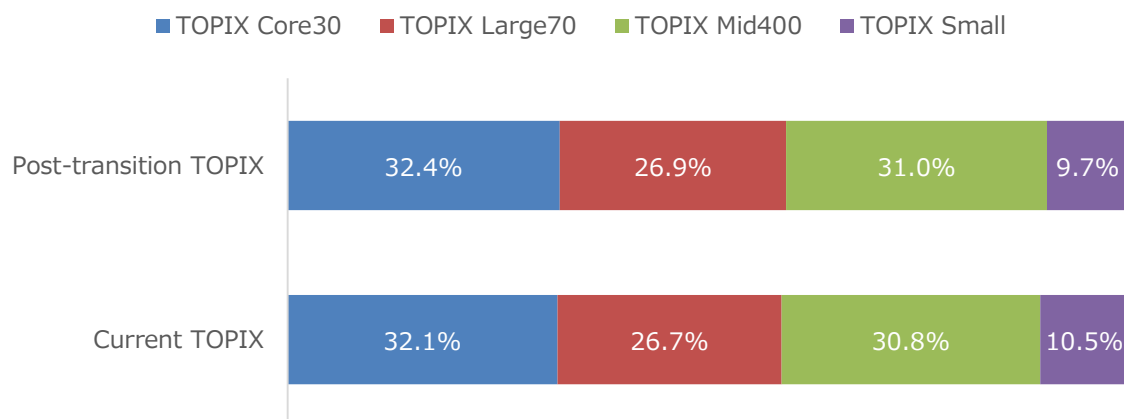
Proportion of current TOPIX weighting	Under 1%
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Notes on estimation calculations

- The TSMC figures used in these estimations were calculated using current tradable share ratios with consideration of share distribution figures, and therefore may differ from TSMC figures calculated under listing rules for the new market segments.

4. Changes in the properties of TOPIX

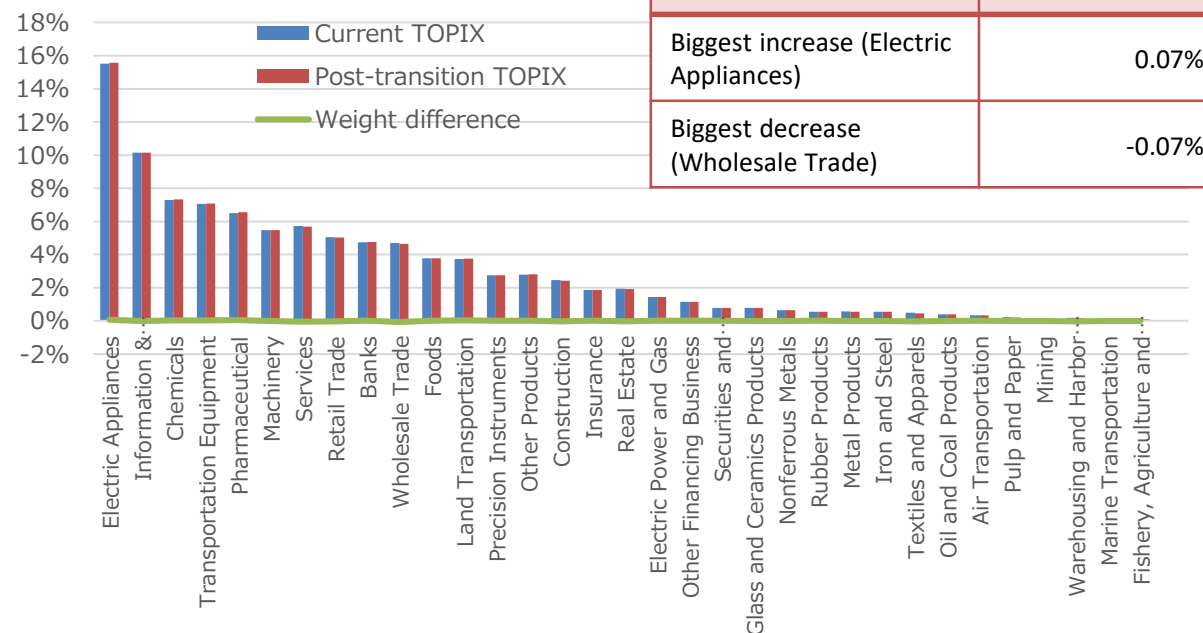
Company size



The below data is calculated using the TOPIX constituents as of Sept. 30, 2020 and with the same presumption described on p5.

	1. Current weighting	2. Post-transition weighting	Weight difference (2. minus 1.)
TOPIX Core30 (large cap)	32.1%	32.4%	0.28%
TOPIX Large70 (large cap)	26.7%	26.9%	0.24%
TOPIX Mid400 (mid cap)	30.8%	31.0%	0.27%
TOPIX Small (small cap)	10.5%	9.7%	-0.79%

Sector



Fundamentals

Metric	1. Current	2. Post-transition	Difference (2. minus 1.)
PER (weighted)	20.29	20.20	-0.090
PBR (weighted)	1.20	1.21	0.009
Yield (weighted)	2.30%	2.31%	0.002%

-PER and PBR are based on earnings releases up to the end of July 2020. Dividend yield is based on stock prices at the end of March 2019 and dividend data from FY 2019.

-PER (weighted) = $\Sigma (\text{market cap}) \div \Sigma (\text{consolidated net income for relevant reporting period})$

-PBR (weighted) = $\Sigma (\text{market cap}) \div \Sigma (\text{consolidated net assets})$

-Dividend yield (weighted) = $\Sigma (\text{total dividends}) \div \Sigma (\text{market cap})$