

(Consultation Reopened) Revisions to Tokyo Stock Exchange Mothers Index

March 26, 2021

Tokyo Stock Exchange, Inc.

I. Purpose

Tokyo Stock Exchange, Inc. (hereinafter "TSE") gathered comments through the Index Consultation "Revisions of TOPIX and Other Indices" from December 25, 2020 to February 26, 2021. In response, we received multiple opinions that the TSE Mothers Index, which we proposed to discontinue on April 3, 2023, should be continued in the same way as TOPIX (Tokyo Stock Price Index). Based on these comments, we have reexamined and revised our proposal for treatment of the TSE Mothers Index and are reopening the consultation as follows.

II. Overview

Item	Details	Additional comments
1. Revisions to TSE Mothers Index (1) Overall plan for revisions to TSE Mothers Index	<ul style="list-style-type: none">The TSE Mothers Index will continue to be calculated and distributed after the implementation of the listing rules for the new market segments in April 2022.	<ul style="list-style-type: none">In the Index Consultation "Revisions of TOPIX and Other Indices" open from December 25, 2020 to February 26, 2021, TSE

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<p>(2) Handling of constituents on the date of implementation of listing rules for new market segments</p> <p>(3) Changes to index calculation rules from the</p>	<ul style="list-style-type: none"> • TSE Mothers Index constituents as of the business day prior to the date of implementation of the listing rules for the new market segments (April 1, 2022) will continue to be included, regardless of the market they are listed on as of the date of implementation of the listing rules for the new market segments (April 4, 2022; hereinafter the "implementation date"). 	<p>proposed that the TSE Mothers Index would be discontinued from April 3, 2022.</p> <ul style="list-style-type: none"> • However, since we received multiple opinions that the TSE Mothers Index should be continued, it will continue to be calculated and distributed even after the implementation of the listing rules for the new market segments.

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<p>implementation date</p> <p>3a. Periodic review of constituents</p>	<ul style="list-style-type: none"> • A periodic review of constituents will be conducted once a year (on the last business day of October). • The base date for the periodic review (hereinafter the "rebalance reference date") will be the last business day of August. The list of inclusions/removals will be published on the JPX website on the fifth business day of October. • The selection process shall be conducted as follows: <ul style="list-style-type: none"> ➤ The constituent universe shall be issues which are constituents of the TSE Growth Market Index (provisional name) as of the rebalance reference date. However, issues which fall under any of the following criteria will be excluded. <ul style="list-style-type: none"> ✧ Securities designated as a Security to be Delisted as of the rebalance reference date; ✧ Securities designated as a Security on Alert as of the rebalance reference date; ✧ Securities that have announced a change in their listing market as of the rebalance reference date; or ✧ Constituents of TOPIX as of the rebalance reference date. • 250 issues will be selected as constituents in descending order of market capitalization as of the rebalance reference date. However, if the number of 	<ul style="list-style-type: none"> • The first periodic review will be carried out in October 2022. The result of this periodic review will be published on the sixth business day of October. • In principle, issues will also be excluded from the constituent universe if they are found to fall under the criteria for exclusion between the rebalance reference date and the announcement of the periodic review results.

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3b. Special procedures resulting from October 2022 periodic review	<p>eligible issues in the constituent universe is less than 300, the number of constituents will be decided by subtracting 50 from the number of eligible issues.</p> <ul style="list-style-type: none"> From the viewpoint of index continuity, issues which are to be removed from the index as a result of the periodic review carried out in October 2022 will be designated as "phased weighting reduction constituents". The weighting of phased weighting reduction constituents will be reduced in three (3) stages on the last business day of every quarter starting on the last business day of October 2022 (October 31, 2022), and these constituents will be removed from the index on the last business day of April 2023. The weighting of phased weighting reduction constituents will be calculated by multiplying their free-float weight (FFW) ratios by a transition factor (decreasing from 1.0 to 0 in increments of 0.33). <p>Transition schedule</p> <table border="1" data-bbox="479 935 1541 1209"> <thead> <tr> <th>Transition stage</th> <th>Index revision date</th> <th>Transition factor</th> </tr> </thead> <tbody> <tr> <td>1st</td> <td>Last business day of Oct. 2022</td> <td>×0.67</td> </tr> <tr> <td>2nd</td> <td>Last business day of Jan. 2023</td> <td>×0.33</td> </tr> <tr> <td>3rd</td> <td>Last business day of Apr. 2023</td> <td>×0</td> </tr> </tbody> </table>	Transition stage	Index revision date	Transition factor	1st	Last business day of Oct. 2022	×0.67	2nd	Last business day of Jan. 2023	×0.33	3rd	Last business day of Apr. 2023	×0	<ul style="list-style-type: none"> FFW ratios after application of the transition factor will be provided through the Tokyo Market Information (TMI) service on the 5th or 6th business day of each month that contains an index revision date. For any issues which are not stated in this document, phased weighting reduction constituents will be treated in the same way as other constituents. The index name will be changed to "TSE Growth Market 250 Index" (provisional name) on the last business day of October 2023.
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3c. Inclusion of constituents	<ul style="list-style-type: none"> Issues originally listed on markets other than the TSE Mothers market which select the Growth Market as their listed market on April 4, 2022 (except for 	<ul style="list-style-type: none"> The normal FFW ratio multiplied by 0.5 will apply at the 1st stage, 												

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outside the periodic review	<p>TOPIX constituents) will be included in the TSE Mothers Index over two (2) stages, on the last business days of May 2022 and June 2022.</p> <ul style="list-style-type: none"> Issues which carry out initial listings on or transfer to the Growth Market on or after April 4, 2022 (except for TOPIX constituents) will be included in the TSE Mothers Index on the last business day of the month following the month containing the listing date or transfer date. 	<p>and the normal FFW ratio will apply at the 2nd stage.</p> <ul style="list-style-type: none"> Stocks which carry out initial listings on the TSE Mothers Market in March 2022 (excluding technical listings) will be included in the TSE Mothers Index on the last business day of April 2022. Stocks which carry out initial listings on the TSE Mothers Market on April 1, 2022 (excluding technical listings) will be included in the TSE Mothers Index on the last business day of May 2022. If a TSE Mothers Index constituent is delisted due to a stock transfer, stock-swap, merger by creation of a new company or company split, and the newly created, surviving, or succeeding company is listed without delay, said newly created

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<p>4b. Removal of constituents outside the periodic review</p> <p>3e. Introduction of upper weighting limit</p>	<ul style="list-style-type: none"> • If a TSE Mothers Index constituent is selected as a TOPIX constituent, it will be removed from the TSE Mothers Index on the date of TOPIX inclusion. • If a TSE Mothers Index constituent is designated as a Security on Alert on or after April 4, 2022, said constituent will be removed from the TSE Mothers Index on the 4th business day after said designation. <ul style="list-style-type: none"> • As part of further improving the TSE Mothers Index's functionality as an investable index, TSE will implement a 20% upper weighting limit (cap) for any one constituent. • The index will be calculated using the "post-cap-adjusted FFW ratio", which is calculated by multiplying the FFW ratio by the cap adjustment coefficient (a coefficient used to adjust constituent weightings). 	<p>company, etc. will be, in principle, included in the TSE Mothers Index.</p> <ul style="list-style-type: none"> • If a constituent is designated as a Security on Alert as of the implementation date, said constituent will be removed from the TSE Mothers Index on the last business day of April 2022. 		
<p>2. Other</p>	<ul style="list-style-type: none"> • Other necessary revisions will be made. 			
<p>3. Schedule</p>	<p>The index consultation will be carried out with the following schedule:</p> <table border="1" data-bbox="506 1150 1565 1315"> <tr> <td data-bbox="506 1150 810 1315"> <p>March 26, 2021 (Fri.) to April 9, 2021 (Fri.)</p> </td> <td data-bbox="810 1150 1565 1315"> <p>Opinions gathered through index consultation</p> <ul style="list-style-type: none"> • Opinions can be submitted via the JPX website. <p>Submissions must specify the following:</p> </td> </tr> </table>	<p>March 26, 2021 (Fri.) to April 9, 2021 (Fri.)</p>	<p>Opinions gathered through index consultation</p> <ul style="list-style-type: none"> • Opinions can be submitted via the JPX website. <p>Submissions must specify the following:</p>	
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		(i) Name of submitter, (ii) Occupation of submitter, (iii) Name and business type of the corporation, organization, etc. to which the submitter belongs, (iv) Contact information (i.e., phone number and email address), and (v) Opinions on the proposed matter(s). Because this is a reopened Index Consultation, the comment period will be two weeks. TSE will compile the comments, prepare responses, and release them on the JPX website, etc. It will not provide responses to individual comments.	
	After end of April 2021	<ul style="list-style-type: none"> • TSE will make the final decision taking into consideration the opinions submitted. The finalized measures will be published on the JPX website together with the results of “Revisions of TOPIX and Other Indices”. 	

III. Implementation Date (planned)

- These revisions will be implemented on April 4, 2022.

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