

July 28, 2022

JPX Market Innovation & Research, Inc.

Results of Index Consultation Regarding Proposed Amendment to Policies Concerning Calculation of TSE Indices

JPX Market Innovation & Research, Inc. (JPXI) conducted an Index Consultation from June 17 to July 17, 2022 on a proposed amendment to Policies Concerning Calculation of TSE Indices (hereinafter "Policies"). An outline of the opinions gathered from the Index Consultation and JPXI's responses are as follows:

1. Outline of opinions gathered and JPXI's responses

This change in the Policies is made to clarify the handling of calculation of TSE stock index values in line with the new rule on handling of base prices when trading is resumed due to a reboot of TSE's cash equity trading system (arrowhead)ⁱ.

The opinion that we received through the Index Consultation was in agreement with the proposed change to the Policies, and there were no objections. Based on this, we are revising the Policies as proposed in the Index Consultation.

2. Comparison of Policies before and after amendment

Before amendment	After amendment
Article 4. Calculation of Indices Under Extreme Market Conditions 1. In the event that TSE is forced to close its stock market prior to the end of its daily trading hours due to a computer malfunction, a natural disaster, or other such unavoidable reasons, JPXI shall calculate TSE Indices using the latest stock price information published by TSE, in the following sequence: (1) Special Quotes or Sequential Trade Quotes (2) Contract Price	Article 4. Calculation of Indices Under Extreme Market Conditions 1. In the event that TSE is forced to close its stock market prior to the end of its daily trading hours due to a computer malfunction, a natural disaster, or other such unavoidable reasons, JPXI shall calculate TSE Indices using the latest stock price information published by TSE, in the following sequence: (1) Special Quotes or Sequential Trade Quotes (2) Contract Price

ⁱ Regarding the base price when trading is resumed due to a reboot of arrowhead, it is stipulated that "The last execution price will not be used, and trading will resume with the base price from morning on the day."

<https://www.jpx.co.jp/english/corporate/research-study/system-failure/b5b4pj000003rlat-att/english3.pdf>

Before amendment	After amendment
<p>(3) Base Price for Index Calculation when neither (1) nor (2) is available (determined in the following order: (i) Theoretical Ex-rights Price, (ii) Most Recent Special Quote or Sequential Trade Quote on or before the previous trading day, (iii) Most Recent Contract Price on or before the previous trading day.)</p> <p><u>(addition)</u></p> <p><u>2. (omission)</u></p>	<p>(3) Base Price for Index Calculation when neither (1) nor (2) is available (determined in the following order: (i) Theoretical Ex-rights Price, (ii) Most Recent Special Quote or Sequential Trade Quote on or before the previous trading day, (iii) Most Recent Contract Price on or before the previous trading day.)</p> <p><u>2. In the event that TSE is forced to suspend its stock market due to a computer malfunction, a natural disaster, or other such unavoidable reason, and trading is then resumed through a reboot of the system, TSE Indices shall be calculated by JPXI using the stock price information published by TSE after resumption of trading in the following sequence:</u></p> <p><u>(1) Special Quotes or Sequential Trade Quotes</u></p> <p><u>(2) Contract Price</u></p> <p><u>(3) Base Price for Index Calculation when neither (1) nor (2) is available after resumption of trading (determined in the following order: (i) Theoretical Ex-rights Price, (ii) Most Recent Special Quote or Sequential Trade Quote on or before the previous trading day, (iii) Most Recent Contract Price on or before the previous trading day.)</u></p> <p><u>3. (omission)</u></p>

Amendments are underlined.

3. Implementation date

This amendment will be implemented on August 1, 2022.