

January 23, 2024

JPX Market Innovation & Research, Inc.

Index Consultation on Revisions, etc. to Various Policies for OSE/TOCOM Indices

JPX Market Innovation & Research, Inc. (hereinafter "JPXI") will conduct an Index Consultation on the proposed revisions, etc. to various policies for indices JPXI calculates based on the prices of futures, etc. on markets operated by Osaka Exchange, Inc. or on the prices of futures, etc. on markets operated by Tokyo Commodity Exchange, Inc. or on the prices of both of them (hereinafter "OSE/TOCOM Indices").

1. Proposal

The stock price indices calculated by JPXI are managed in compliance with various regulations, including the International Organization of Securities Commissions' (IOSCO) Principles for Financial Benchmarks. In addition, various related policies have been established based on these regulations, and various frameworks, such as the Index Consultation, have been established to further enhance the independence and impartiality of the process in index calculation.

Since April 3, 2023, when JPXI began calculating OSE/TOCOM Indices, we have been working to establish a governance structure for these indices that are equivalent to that of our stock price indices, and JPXI proposes to revise various policies, etc. as described in Attachment 1 to Attachment 5.

2. Outline of Revisions to Policies, etc.

(1) Policies Concerning Calculation of JPXI Indices

The "Policies Concerning Calculation of TSE Indices," which are established comprehensive policies for TSE Indices, are renamed the "Policies Concerning Calculation of JPXI Indices" and are revised in order to define the handling of OSE/TOCOM Indices in the same way.

Current	After revisions (proposed)
Article 1. Purpose <u>These</u> Policies Concerning Calculation of <u>TSE Indices</u> (hereinafter "Policies") establish comprehensive policies for stock price indices that JPX Market Innovation & Research, Inc. (<u>JPXI</u>) calculates based on the prices of stocks, REITs, or infrastructure	Article 1. Purpose Policies Concerning Calculation of <u>JPXI Indices</u> (hereinafter "Policies") establish comprehensive policies for stock price indices that JPX Market Innovation & Research, Inc. (<u>hereinafter "JPXI"</u>) calculates based on the prices of stocks,

Current	After revisions (proposed)
<p>funds, etc. listed on markets operated by Tokyo Stock Exchange, Inc. (TSE; such indices are hereinafter referred to as "TSE Indices").</p>	<p>REITs, or infrastructure funds, etc. listed on markets operated by Tokyo Stock Exchange, Inc. (TSE; such indices are hereinafter referred to as "TSE Indices") <u>and for indices it calculates based on the prices of futures, etc. on markets operated by Osaka Exchange, Inc. (hereinafter "OSE") or on the prices of futures, etc. on markets operated by Tokyo Commodity Exchange, Inc. (hereinafter "TOCOM") or on the prices of both of them (hereinafter "OSE/TOCOM Indices") (TSE Indices and OSE/TOCOM Indices are hereinafter referred to as "JPXI Indices").</u></p>
<p>Article 3. Governance</p> <p>The calculation of <u>TSE Indices</u> undergoes a monitoring process at JPXI through daily meetings on the administration of said indices (hereinafter <u>the "TSE Indices Administering Meeting"</u>). Additionally, for matters concerning calculation of <u>TSE Indices</u> for which decisions are required, consistency of such decisions is maintained through discussions at the <u>TSE Indices Administering Meeting</u>.</p> <p><u>The TSE Indices Administering Meeting consists of members who are well versed in and have specialized knowledge of the operation of indices.</u></p>	<p>Article 3. Governance</p> <p>The calculation of <u>JPXI Indices</u> undergoes a monitoring process at JPXI through daily meetings on the administration of said indices (hereinafter <u>"JPXI Indices Administering Meeting"</u>), <u>which consists of members who are well versed in and have specialized knowledge of the operation of indices.</u> Additionally, for matters concerning calculation of <u>JPXI Indices</u> for which decisions are required, consistency of such decisions is maintained through discussions at the <u>JPXI Indices Administering Meeting</u>.</p>
<p>(new)</p>	<p><u>Article 4-2. Calculation of OSE/TOCOM Indices Under Extreme Market Conditions</u></p> <p><u>1. In the event that OSE, TOCOM, or both, are forced to close their market prior to the end of the daily trading hours due to a computer malfunction, natural disaster, or other such unavoidable reasons, JPXI shall</u></p>

Current	After revisions (proposed)
	<p><u>calculate OSE/TOCOM Indices using the published settlement price for constituents.</u></p> <p><u>2. In the event that OSE, TOCOM, or both, are forced to suspend their market due to a computer malfunction, a natural disaster, or other such unavoidable reason, and trading is thereafter resumed through a reboot of the system, JPXI shall calculate OSE/TOCOM Indices using the published settlement price for constituents after the resumption.</u></p>
<p>Article 5. Corrections to <u>TSE Indices</u></p> <p>Handling of corrections to TSE Indices shall be as specified by "TSE Index Data Correction Policy". (omitted the rest)</p>	<p>Article 5. Corrections to <u>Indices</u></p> <p>Handling of corrections to TSE Indices shall be as specified by <u>the "TSE Index Data Correction Policy", and handling of corrections to OSE/TOCOM Indices shall be as specified by the "OSE/TOCOM Index Data Correction Policy".</u> (omitted the rest)</p>
<p>Article 6. Revision to Calculation Methodologies</p> <p>JPXI shall hold a minimum of one examination yearly on structural changes in the <u>stock</u> market and consider the necessity of revisions to the calculation methodologies of <u>TSE Indices</u>.</p>	<p>Article 6. <u>Periodic</u> Revision to Calculation Methodologies</p> <p>JPXI shall hold a minimum of one examination yearly on structural changes in the market and consider the necessity of revisions to the calculation methodologies of <u>JPXI Indices</u>.</p>
<p>Article 8. Important Revisions to Calculation Methodologies</p> <p>When an important revision is to be made to the calculation methodologies, a decision based on internal approval shall be required. In such cases, JPXI shall implement the Index Consultation stipulated in <u>Article 9</u> to obtain a broad range of opinions upon which consideration shall be made on the impact of such a revision. Also, consideration shall be made on</p>	<p>Article 8. Important Revisions to Calculation Methodologies</p> <p><u>1.</u> When an important revision is to be made to the calculation methodologies, a decision based on internal approval shall be required. In such cases, JPXI shall implement the Index Consultation stipulated in <u>the following article</u> to obtain a broad range of opinions upon which consideration shall be made on the impact of such a revision. Also, consideration shall be made</p>

Current	After revisions (proposed)
<p>whether such a revision should be made to the calculation methodologies after, where needed, confirmation is made of the expected impact on entities who hold a license for use of an index, through interviews and other methods to collect opinions.</p> <p><u>Note that an important revision refers to a revision of calculation methodologies that results in a change to the component issues of an index and/or their component ratios for an index, requiring rebalancing by passive asset managers at a time other than the periodic review; a revision to the method for selecting component issues; a revision to the handling of corporate actions; or, a revision to the method for calculating index values.</u></p> <p>(new)</p>	<p>on whether such a revision should be made to the calculation methodologies after, where needed, confirmation is made of the expected impact on entities who hold a license for use of an index, through interviews and other methods to collect opinions.</p> <p><u>2. Note that in the previous paragraph, in the case of TSE Indices, “important revision” refers to a revision of calculation methodologies that results in a change to the component issues of an index and/or their component ratios for an index requiring rebalancing by passive asset managers at a time other than the periodic review, a revision to the method for selecting component issues, a revision to the handling of corporate actions, or a revision to the method for calculating index value; Or, in the case of OSE/TOCOM Indices, a revision to the method for selecting component issues or method for calculating index values.</u></p>
Article 9. Implementation of Index	Article 9. Implementation of Index

(Reference Translation)

Current	After revisions (proposed)
<p>Consultation</p> <p>1. Index Consultation is a function implemented for the purpose of improving the fairness and transparency of the process for deciding measures regarding the administration of <u>TSE Indices</u> by setting aside opportunities for JPXI to gather diverse opinions from index users. The procedure for Index Consultation shall be as specified in the "Index Consultation Implementation Guidelines".</p> <p>2. JPXI shall implement Index Consultation when making decisions relating to the following items. However, this shall not apply when the <u>TSE Indices</u> Administering Meeting deems that the decision is of minor significance.</p> <p>(1) (omitted)</p> <p>(2) (omitted)</p> <p>(3) (omitted)</p> <p>3. (omitted)</p>	<p>Consultation</p> <p>1. Index Consultation is a function implemented for the purpose of improving the fairness and transparency of the process for deciding measures regarding the administration of <u>JPXI Indices</u> by setting aside opportunities for JPXI to gather diverse opinions from index users. The procedure for Index Consultation shall be as specified in the "Index Consultation Implementation Guidelines".</p> <p>2. JPXI shall implement Index Consultation when making decisions relating to the following items (<u>limited to matters regarding TSE Indices with respect to item 2</u>). However, this shall not apply when the <u>JPXI Indices</u> Administering Meeting deems that the decision is of minor significance.</p> <p>(1) (omitted)</p> <p>(2) (omitted)</p> <p>(3) (omitted)</p> <p>3. (omitted)</p>
<p>Article 11. Administration of Conflicts of Interest</p> <p>JPXI uses <u>stock</u> prices at <u>TSE</u> markets to automatically calculate and publish indices, using its index calculation system and TSE MAINS market <u>quotation</u> system. (omitted the rest)</p>	<p>Article 11. Administration of Conflicts of Interest</p> <p>JPXI uses prices at markets to automatically calculate and publish indices, using its index calculation system and TSE MAINS market <u>information</u> system <u>for TSE Indices, and a derivatives trading system for OSE and TOCOM derivatives trading for OSE/TOCOM Indices.</u> (omitted the rest)</p>

(2) Policies for Addressing Objections Regarding JPXI Indices

The "Policies for Addressing Objections Regarding TSE Indices," which are established for the provision of fair and appropriate responses to objections which are received with

(Reference Translation)

regard to indices, are renamed the “Policies for Addressing Objections Regarding JPXI Indices” and are revised in order to define the handling of OSE/TOCOM Indices in the same way.

Current	After revisions (proposed)
<p>Article 1. Purpose</p> <p><u>These</u> Policies for Addressing Objections Regarding <u>TSE Indices</u> (hereinafter "Policies") shall serve the purpose of establishing policies for the provision of fair and appropriate responses to objections which are received with regard to indices calculated by JPX Market Innovation & Research, Inc. (<u>JPXI</u>) based on the prices of stocks, REITs, or infrastructure funds, etc. which are listed on markets operated by Tokyo Stock Exchange, Inc. (TSE; these indices are hereinafter referred to as "TSE Indices").</p>	<p>Article 1. Purpose</p> <p>Policies for Addressing Objections Regarding <u>JPXI Indices</u> (hereinafter "Policies") shall serve the purpose of establishing policies for the provision of fair and appropriate responses to objections which are received with regard to <u>stock price</u> indices calculated by JPX Market Innovation & Research, Inc. (<u>hereinafter "JPXI"</u>) based on the prices of stocks, REITs, or infrastructure funds, etc. which are listed on markets operated by Tokyo Stock Exchange, Inc. (TSE; these indices are hereinafter referred to as "TSE Indices") <u>and indices calculated based on the prices of futures, etc. on markets operated by Osaka Exchange, Inc. or on the prices of futures, etc. on markets operated by Tokyo Commodity Exchange, Inc. or on the prices of both of them (hereinafter "OSE/TOCOM Indices")</u> (TSE Indices and OSE/TOCOM Indices are hereinafter referred to as "<u>JPXI Indices</u>").</p>
<p>Article 2. Definition of Objection</p> <p><u>An</u> objection shall <u>be defined as</u> a complaint or request which pertains to <u>TSE Indices</u> that is received through the method prescribed in the Policies from a party who has a license agreement with JPXI for the use of indices or a party who receives index data directly from JPXI via TMI (meaning data feed services provided by JPXI) (hereinafter "Index User(s)").</p>	<p>Article 2. Definition of Objection</p> <p><u>In the Policies, an</u> objection shall <u>mean</u> a complaint or request which pertains to <u>JPXI Indices</u> that is received through the method prescribed in the Policies from a party who has a license agreement with JPXI for the use of indices or a party who receives index data directly from JPXI via TMI (meaning data feed services provided by JPXI) (hereinafter "Index User(s)").</p>

(Reference Translation)

(3) Policies Concerning the Suspension or Migration of JPXI Indices

The “Policies Concerning Suspension or Migration of TSE Indices,” which are established to enable fair and appropriate responses when JPXI suspends calculation or publication of TSE Indices, are renamed the “Policies Concerning the Suspension or Migration of JPXI Indices” and are revised in order to define the handling of OSE/TOCOM Indices in the same way.

Current	After revisions (proposed)
<p>Article 1. Purpose</p> <p>Policies Concerning Suspension or Migration of <u>TSE Indices</u> (hereinafter "Policies") shall serve the purpose of establishing policies to enable fair and appropriate responses when JPX Market Innovation & Research, Inc. (<u>JPXI</u>) suspends calculation or publication of indices it calculates based on the prices of stocks, REITs, or infrastructure funds, etc. listed on markets operated by Tokyo Stock Exchange, Inc. (TSE; such indices are hereinafter referred to as "TSE Indices").</p>	<p>Article 1. Purpose</p> <p>Policies Concerning Suspension or Migration of <u>JPXI Indices</u> (hereinafter <u>referred to as</u> "Policies") shall serve the purpose of establishing policies to enable fair and appropriate responses when JPX Market Innovation & Research, Inc. (<u>hereinafter "JPXI"</u>) suspends calculation or publication of <u>stock price</u> indices it calculates based on the prices of stocks, REITs, or infrastructure funds, etc. listed on markets operated by Tokyo Stock Exchange, Inc. (TSE; such indices are hereinafter referred to as "TSE Indices") <u>and indices it calculates based on the prices of futures, etc. on markets operated by Osaka Exchange, Inc. or on the prices of futures, etc. on markets operated by Tokyo Commodity Exchange, Inc. or on the prices of both of them (hereinafter "OSE/TOCOM Indices") (TSE Indices and OSE/TOCOM Indices are hereinafter referred to as "JPXI Indices").</u></p>
<p>Article 2. Temporary Suspension of Publication</p> <p>JPXI reserves the right to suspend the publication or calculation of any <u>stock price index</u> in cases such as an erroneous numerical value, a computer malfunction, a</p>	<p>Article 2. Temporary Suspension of Publication</p> <p>JPXI reserves the right to suspend the publication or calculation of any <u>JPXI Indices</u> in cases such as an erroneous numerical value, a computer malfunction, a</p>

(Reference Translation)

Current	After revisions (proposed)
natural disaster, or other unavoidable circumstances. (omitted the rest)	natural disaster, or other unavoidable circumstances. (omitted the rest)
<p>Article 3. Consideration of a Permanent Suspension</p> <p><u>If</u> any of the following <u>circumstances be recognized</u>, JPXI shall consider a permanent suspension of the publication:</p> <p>(1) (omitted)</p> <p>(2) (omitted)</p> <p>(3) When an index is no longer deemed to fulfill the initial purpose of its calculation due to structural changes in the <u>stock</u> market and a revision to its calculation method cannot be expected to resolve the issue</p>	<p>Article 3. Consideration of a Permanent Suspension</p> <p><u>In</u> any of the following <u>cases</u>, JPXI shall consider a permanent suspension of the publication:</p> <p>(1) (omitted)</p> <p>(2) (omitted)</p> <p>(3) When an index is no longer deemed to fulfill the initial purpose of its calculation due to structural changes in the market and a revision to its calculation method cannot be expected to resolve the issue</p>

(4) Index Consultation Implementation Guidelines

The "Index Consultation Implementation Guidelines", which stipulate necessary matters for the Index Consultation function, are revised in order to define the handling of OSE/TOCOM Indices in the same way as TSE Indices.

Current	After revisions (proposed)
<p>1. Purpose</p> <p><u>These Guidelines</u> stipulate necessary matters for the Index Consultation function pursuant to the provisions of Article 9 of "Policies Concerning Calculation of <u>TSE Indices</u>".</p>	<p>1. Purpose</p> <p><u>Index Consultation Implementation Guidelines</u> (hereinafter "<u>Guidelines</u>") stipulate necessary matters for the Index Consultation function pursuant to the provisions of Article 9 of "Policies Concerning Calculation of <u>JPXI Indices</u>".</p>
<p>2. Relevant Matters</p> <p><u>These</u> Guidelines shall apply to the matters specified in Article 9 of "Policies Concerning Calculation of <u>TSE Indices</u>" and Article 4 of "Policies Concerning Suspension or Migration of <u>TSE Indices</u>".</p>	<p>2. Relevant Matters</p> <p><u>The</u> Guidelines shall apply to the matters specified in Article 9 of "Policies Concerning Calculation of <u>JPXI Indices</u>" and Article 4 of "Policies Concerning Suspension or Migration of <u>JPXI Indices</u>".</p>

(5) OSE/TOCOM Index Data Correction Policy

(Reference Translation)

JPXI is introducing the “OSE/TOCOM Index Data Correction Policy” to establish procedures for cases in which OSE/TOCOM Indices are calculated and distributed without following the Index Guidebook and then corrected as described in the attached document.

3. Timeline and related procedures

Date	Procedures
Jan. 23, 2024 to Feb. 22, 2024	Opinions gathered through Index Consultation * Opinions can be submitted via the official website of Japan Exchange Group, Inc. (hereinafter "JPX official website") Submissions must specify the following: (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 (phone number and email address); and (v) Opinions on the proposed matter(s).
March 2024 (tentative)	Final decision by JPXI * JPXI will make the final decision on the proposed matter(s) with consideration given to the opinions received. The finalized measures will be published on the JPX official website.

4. Implementation Date (tentative)

This revision will be implemented in March 2024.