

Policies Concerning Calculation of JPXI Indices

XX XX, XXXX

JPX Market Innovation & Research, Inc.

Article 1. Purpose

Policies Concerning Calculation of JPXI Indices (hereinafter "Policies") establish comprehensive policies for stock price indices that JPX Market Innovation & Research, Inc. (hereinafter "JPXI") 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") 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").

Article 2. Publication of Calculation Methodologies

All methodologies employed for index calculation shall be publicly disclosed on the official website of Japan Exchange Group, Inc. (hereinafter "JPX official website")

Article 3. Governance

The calculation of JPXI Indices undergoes a monitoring process at JPXI through daily meetings on the administration of said indices (hereinafter "JPXI Indices Administering Meeting"), which consists of members who are well versed in and have specialized knowledge of the operation of indices. Additionally, for matters concerning calculation of JPXI Indices for which decisions are required, consistency of such decisions is maintained through discussions at the JPXI Indices Administering Meeting.

Article 4. Calculation of TSE 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 published stock price information, in the following sequence:
 - (1) Special Quote Price or Sequential Trade Quote Price
 - (2) Contract Price

(Reference Translation)

- (3) Base Price for Index Calculation (determined in the following order: (i) Theoretical Ex-rights Price, (ii) Most Recent Special Quote Price or Sequential Trade Quote Price on or before the previous trading day, (iii) Most Recent Contract Price on or before the previous trading day.)
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 after resumption of trading in the following sequence:
 - (1) Special Quote Price or Sequential Trade Quote Price
 - (2) Most Recent Contract Price after resumption of trading
 - (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 Price or Sequential Trade Quote Price on or before the previous trading day, (iii) Most Recent Contract Price on or before the previous trading day.)
3. In the case that, due to unavoidable circumstances such as natural disasters or events equivalent thereto, the JPXI Indices Administering Meeting deems that the condition of the stock market operated by TSE is not appropriate for implementing changes to TSE Indices as specified in the calculation methodologies (including but not limited to a sudden surge in volatility and/or lack of liquidity in the entire market), such as constituent selection and adjustments to base market value, JPXI may handle these changes differently from as specified in the calculation methodologies (including but not limited to postponement or suspension of a periodic review) after prior notification on the JPX official website.

Article 4-2. Calculation of OSE/TOCOM Indices Under Extreme Market Conditions

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 calculate OSE/TOCOM Indices using the published settlement price for constituents.
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.

Article 5. Corrections to Indices

Handling of corrections to TSE Indices shall be as specified by 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". In addition, such corrections shall be reported to the risk management committee in accordance with criteria specified by Risk Management Policy and Risk Management Rules.

Article 6. Periodic Revision to Calculation Methodologies

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 JPXI Indices.

Article 7. Minor Revision to Calculation Methodologies

In the event that a minor revision is to be made to the calculation methodologies, a decision shall be required based on internal approval, in which case JPXI shall confirm the appropriateness of the revision in consideration of the circumstances that lead to the revision and its adequacy.

Article 8. Important Revisions to Calculation Methodologies

1. 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 the following article 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 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.
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.

(Reference Translation)

Article 9. Implementation of Index Consultation

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 JPXI Indices 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".
2. JPXI shall implement Index Consultation when making decisions relating to the following items (limited to matters regarding TSE Indices with respect to item 2). However, this shall not apply when the JPXI Indices Administering Meeting deems that the decision is of minor significance.
 - (1) Important revisions to the calculation methodologies
 - (2) Handling new types of corporate action not indicated in the calculation methodologies
 - (3) Other matters for which the JPXI Indices Administering Meeting determines that comments from a wide range of entities are necessary
3. A decision based on internal approval shall be required when conducting Index Consultation.

Article 10. Index Advisory Panel

JPXI has established the Index Advisory Panel for the purpose of continually improving TSE Indices by exchanging opinions with index users. The procedures for the operation of the Index Advisory Panel shall be as specified in the "Index Advisory Panel Administrative Guidelines".

Article 11. Administration of Conflicts of Interest

JPXI uses prices at markets to automatically calculate and publish indices, using its index calculation system and TSE MAINS market information system for TSE Indices, and a derivatives trading system for OSE and TOCOM derivatives trading for OSE/TOCOM Indices. JPXI establishes rules for calculating indices with high levels of transparency and objectivity by employing steps such as quantifying information and data that are publicly disclosed in its selection of component issues, which it documents as Index Guidebooks. Thus JPXI eliminates arbitrariness or conflicts of interest in index calculation.

Furthermore, JPXI has the following framework for managing conflicts of interest:

(Code of Conduct)

(Reference Translation)

As part of its initiative to secure the soundness of the operation of indices, JPXI requires its employees to comply with Code of Conduct.

(Block of Information Flow)

JPXI shall not provide information to anyone other than authorized persons, and blocks the flow of information between sections that are involved with indices and all other sections in accordance with its Information Security Basic Policies and Information Security Measures Standards.

(Compensation Structure)

Remuneration Rules define employee compensation and performance review structures for employees of JPXI. Remuneration for individuals in sections related to indices is not to be associated directly with the design, calculation, public disclosure, or other elements of indices.

(Internal Training)

JPXI requires employees engaged in duties concerning Code of Conduct and the calculation of indices to maintain sufficient knowledge thereof. Training on Code of Conduct is carried out on a regular basis. As for amendments to the law and other such items that impact the design and calculation of indices, employees are provided with training to ensure that these are reflected on the design of indices on an ongoing basis.

(Whistle-blower System)

JPXI has a whistle-blower system in place, and the President & CEO is responsible for receiving, investigating and taking corrective actions regarding whistle-blowing.

Article 12. Revisions and Other Such Matters Pertaining to Policies

Details contained in the Policies may change without prior notice when decisions are made based on internal regulations.

(Reference Translation)

Revision History

Date of Publication	Details
March 31, 2017	- The first edition
May 31, 2019	- Revised Article 5 in line with the formulation of "TSE Index Data Correction Policy"
April 1, 2020	- Revised Article 8 and newly added Article 9 in line with the introduction of "Index Consultation" - Newly added Article 10 in line with the establishment of "Index Advisory Panel"
June 1, 2020	- Revised Article 4 concerning calculation of TSE Indices under extreme market conditions
April 4, 2022	- Made revisions in line with the business transfer to JPXI (applied on April 1, 2022 retroactively)
August 1, 2022	- Revised Article 4 concerning calculation of TSE Indices after rebooting of the trading system
xx xx, xxxx	- Changed the name of the Policies - Added OSE/TOCOM Indices to the Policies

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