

Result of Revisions to the Guidebooks for the TOPIX New Index Series and Other TOPIX Sub-Indices Due to the TOPIX Revisions

JPX Market Innovation & Research, Inc. (JPXI) published "Revisions to the Guidebooks for the TOPIX New Index Series and Other TOPIX Sub-Indices Due to the TOPIX Revisions" and sought public opinions on it via index consultation.

In doing so, JPXI has received positive opinions regarding this proposal. Accordingly, JPXI will publish the Guidebooks applicable from October 1, 2026. In addition, revisions to the TOPIX New Index Series, the TSE Size-based Indices, and the TOPIX Style Index Series shall be applied starting from the periodic review in October 2026 and from the non-periodic addition of issues newly listed on or after November 2026.

Other opinions gathered through the index consultation and JPXI's responses are as follows:

Opinions	JPXI's Responses
We recognize that, as a result of the TOPIX review, significant fluctuations in the number of constituents of indices such as TOPIX Micro Cap and TOPIX Next-tier may occur at the time of TOPIX periodic reviews, and that this may impair the continuity and stability of the indices. In particular, if the number of TOPIX constituents were to decrease significantly, the number of TOPIX Micro Cap constituents would also decrease significantly, and the portfolio characteristics could change significantly. Although it is unlikely at present, in extreme cases, the number of TOPIX constituents could fall below 1,000, making it impossible to even calculate the TOPIX Micro Cap index. We believe it is necessary to recognize the possibility of such events occurring and to consider countermeasures.	Taking into account developments since the first periodic review of TOPIX, the necessity of reviewing the rules for the TOPIX New Index Series, etc. will be examined as necessary through the Index Consultation process.
With respect to the TOPIX High Dividend Yield 40 Index, it is considered reasonable that issues excluded from TOPIX at the TOPIX periodic review are simultaneously excluded from the TOPIX High Dividend Yield 40 Index if such issues are included in TOPIX 100, which serves as the universe of the index. In addition, given that the	

(Reference Translation)

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<p>likelihood of issues excluded from TOPIX as a result of the periodic review also being constituents of the TOPIX High Dividend Yield 40 Index is low, this is not considered problematic. However, as the timing of periodic reviews differs between TOPIX and the TOPIX High Dividend Yield 40 Index, while the likelihood is low, there may be cases in which a relatively large number of issues excluded from TOPIX are constituents of the TOPIX High Dividend Yield 40 Index. Although the current calculation methodology does not provide for the replenishment of constituents in such cases, it may be worth considering whether rules to maintain a minimum number of constituents are necessary. In addition, as of the reference date for the periodic review of the TOPIX High Dividend Yield 40 Index for fiscal year 2028, issues subject to transitional measures will not yet have been excluded, and given that the likelihood of such issues also being constituents of the TOPIX High Dividend Yield 40 Index is low, this is not considered problematic. On the other hand, for the fiscal year 2028 periodic review, continuing to include issues that are expected to be excluded from TOPIX would have limited rationale; therefore, it may be worth considering, for that review only, measures such as excluding from the universe issues that are expected to be excluded from TOPIX at the end of July.</p>	
<p>Is it correct to assume that issues which are not currently constituents of TOPIX but meet the selection criteria for the TOPIX New Index Series, etc. will begin to be included in those series starting from October 2026, which coincides with the commencement of the periodic review of TOPIX?</p>	<p>This is correct.</p>
<p>We believe that, with respect to the treatment of spin-off listings, certain challenges remain. For example, there may be cases in which issues newly listed as a result of a spin-off continue to be included in indices despite not meeting the selection criteria for indices such as TOPIX Core30. As indices such as the TOPIX New Index Series select constituents based on market capitalization and liquidity, such situations may give rise to inconsistencies with the index concept and a divergence from investors' expectations. With respect to spin-off companies that do not meet the selection criteria, while due consideration should be given to the impact on the</p>	<p>At present, upon the effective date, constituents are added with due consideration to the ease of index-tracking investment, and at the time of the periodic review, the classification is reviewed to reflect the actual situation of the spun-off</p>

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market, such companies should be excluded from the indices once sufficient liquidity has been secured. This point was also raised in the previous consultation with respect to TOPIX after the transition; however, we believe that it should be examined even more carefully in the context of size-based stock price indices.	entity. This approach has been well received by users. We will continue to consider and review users' feedback going forward.