

(Reference Translation)

TSE Index Guidebook (TOPIX New Index Series - Size-based TOPIX Sub-Indices)

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JPX Market Innovation & Research, Inc.

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Record of Changes

DATE	Changes
2018/7/23	* First Edition
2018/8/17	* Added "TOPIX Small 500" (Launch Date: October 9,2018)
2019/8/30	* Modified an error
2020/3/31	* Revised the date for adjusting base market value following the shortening of stock settlement cycle to T+2
2020/6/30	* Revision to bring forward the date for minor adjustments related to ex-dividend
2020/12/25	*Clarification of the treatment of section transfers, etc.
2022/4/4	*Revisions pertaining to cash equity market restructuring *Added revisions with regard to the business transfer to JPXI (applied on April 1, 2022 retroactively)
2023/2/13	* Revised the configuration regarding formula, etc. to follow "Index Calculation Guidebook"
2023/12/22	* Added "TOPIX Micro Cap" (Launch Date: March 4,2024)
2025/1/31	* Uniformity of terminology in each calculation methodology

Introduction

- JPX Market Innovation & Research, Inc. (JPXI) calculates and distributes the TOPIX New Index Series and Size-based TOPIX Sub-Indices in accordance with the methods described in this document. If an event not specified in this document occurs, or if JPXI determines that it is difficult to use the methods described in this document, JPXI may use an alternative method of index calculation as it deems appropriate.
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I. Outline of Indices

- TOPIX New Index Series classifies TOPIX constituents into TOPIX Core30, TOPIX Large70, TOPIX 100, TOPIX Mid400, TOPIX 500, TOPIX Small, TOPIX 1000, TOPIX Small500, and TOPIX Micro Cap based on free-float adjusted market capitalization (after applying a liquidity factor, a cap-adjustment factor, and a transition factor applied to the TOPIX calculation. The same shall apply hereinafter) and liquidity.

Size-based TOPIX Sub-indices	TOPIX New Index Series			
Large-cap Stocks	Core30	TOPIX 100	TOPIX 500	TOPIX 1000
	Large70			
Medium-cap Stocks	Mid400			
Small-cap Stocks	Small		TOPIX Small500	
			TOPIX Micro Cap	

- In order to accurately reflect market movements, JPXI conducts an annual review of the constituents of the indices in TOPIX New Index Series in October.

- As a general rule, the number of constituents in TOPIX Core30, TOPIX Large70, TOPIX 100, TOPIX Mid400, TOPIX 500, TOPIX 1000, and TOPIX Small 500 are 30, 70, 100, 400, 500, 1000, and 500, respectively. After the October Review, the number of constituents may increase or decrease due to inclusions of constituents at the Monthly Review or delisting of constituent companies.
- The base date and base value for each index is indicated below:

Index		Base Date	Base Point
TOPIX New Index Series	TOPIX Core30	1998/04/01	1,000
	TOPIX Large70		
	TOPIX 100		
	TOPIX Mid400		
	TOPIX 500		
	TOPIX Small		
	TOPIX 1000	2003/09/12	1,000
	TOPIX Small500	2018/08/31	1,000
	TOPIX Micro Cap	2023/08/18	10,000
Size-based TOPIX Sub-Indices		1968/01/04	100

II. Index Calculation

1. Calculation Method

- The calculation formula shall be the market capitalization weighting formula specified in the Index Calculation Guidebook.
- The free float weight used to calculate the index value shall be the free float weight used to calculate TOPIX's index value.

2. Index Type

- JPXI calculates both price and total return versions of TOPIX New Index Series and Size-based TOPIX Sub-Indices.
- The method of reflecting dividends in index values is in accordance with "Index Calculation Guidebook".

3. Constituent Inclusion and Removal

(1) October Review

a. Summary

- At the October Review, TOPIX constituents are included in and removed from the TOPIX

New Index Series based on liquidity and free-float adjusted market capitalization as of the base date for the October review (hereinafter the “rebalance base date”), which is the last business day of August.

- The list of constituent changes is published on the fifth business day of October, and index calculation applying such constituent changes will begin on the last business day of October.

b. TOPIX Core30 selection

(a) First, the 15 largest stocks by free-float adjusted market capitalization are selected from the top 90 stocks out of TOPIX constituents based on total trading value during the last three-year period (trading value is from auction trading on TSE. The same shall apply hereinafter).

(b) Remaining 15 constituents

i Out of the current TOPIX Core30 constituents, the 15 largest stocks by free-float adjusted market capitalization as of the rebalance base date are selected. These 15 stocks must be from the top 90 stocks out of TOPIX constituents based on total trading value during the last three-year period and must also be ranked within the top 40 stocks by free-float adjusted market capitalization as of the rebalance base date.

ii If it is not possible to select 15 stocks in accordance with the procedures above, the remaining stocks will be selected from the top 90 stocks out of TOPIX constituents based on total trading value during the last three-year period.

c. TOPIX 100 selection

(a) First, the TOPIX Core30 constituents are selected.

(b) Remaining 70 constituents

i Out of the current TOPIX 100 constituents, the 70 largest stocks by free-float adjusted market capitalization as of the rebalance base date are selected. These 70 stocks must be from the top 200 stocks based on total trading value for the last three-year period and must also be ranked within the top 130 stocks by free-float adjusted market capitalization as of the rebalance base date.

ii If it is not possible to select 70 stocks in accordance with the procedures above, the remaining stocks will be selected from the top 200 stocks out of TOPIX constituents based on total trading value during the last three-year period.

d. TOPIX 500 selection

- (a) First, the TOPIX 100 constituents are selected
- (b) Remaining 400 constituents
 - i Out of the current TOPIX 500 constituents, the 400 largest stocks by free-float adjusted market capitalization as of the rebalance base date are selected. These 400 stocks must be from the top 1,000 stocks based on total trading value during the last three-year period and must also be ranked within the top 600 stocks by free-float adjusted market capitalization as of the rebalance base date.
 - ii If it is not possible to select 400 stocks in accordance with the procedures above, the remaining constituents will be selected from the top 1,000 stocks out of TOPIX constituents based on trading value during the last three-year period.

e. TOPIX 1000 selection

- (a) First, the TOPIX 500 constituents are selected.
- (b) Remaining 500 stocks
 - i Out of the current TOPIX 500 constituents, the 500 largest stocks by free-float adjusted market capitalization as of the rebalance base date are selected. These 500 stocks must be from the top 1,200 stocks out of TOPIX constituents based on total trading value during the last three-year period and must also be ranked within the top 1,200 stocks by free-float adjusted market capitalization as of the rebalance base date.
 - ii If it is not possible to select 500 stocks in accordance with the procedures above, the remaining constituents will be selected from the top 1,200 stocks out of TOPIX constituents based on total trading value during the last three-year period.

f. TOPIX Small selection

All stocks in TOPIX constituent universe excluding those in TOPIX 500

g. TOPIX Large70 selection

Constituents of TOPIX 100 excluding those in TOPIX Core30

h. TOPIX Mid400 selection

Constituents of TOPIX 500 excluding those in TOPIX 100

i. TOPIX Small500 selection

Constituents of TOPIX 1000 excluding those in TOPIX 500

j. TOPIX Micro Cap selection

All stocks in TOPIX constituent universe excluding those in TOPIX 1000

(2) Monthly review (inclusion only)

a. Summary

- Issues newly included in TOPIX are included into the TOPIX New Index Series indices during the “Monthly Review”. These issues are selected based on liquidity and free-float adjusted market capitalization as of the base date for the monthly review.
- The base date for the monthly review is the last business day of every month (last business day of the month of an initial listing). The list of constituent inclusions is published on the fifth business day of every month (fifth business day of the month after that of an initial listing) and index calculation applying such constituent inclusions will begin on the last business day of every month (last business day of the month after an initial listing).

b. Criteria for inclusion

- As a general rule, newly listed companies will be added to TOPIX Micro Cap. However, stocks with a large free-float adjusted market capitalization and trading value (stocks that satisfy at least the following criteria as of the last business day of the month preceding that of inclusion) will be added to TOPIX Core30, TOPIX Large70, TOPIX Mid400 respectively. However, as long as a newly listed company does not satisfy at least the criteria for TOPIX Mid400, it will not be included in the TOPIX 1000.

Index	Free-Float adjusted Market Capitalization Ranking	Trading Value Ranking
TOPIX Core30	Top 20	Top 90
TOPIX Large70	Top 70	Top 200
TOPIX Mid400	Top 400	Top 1,000

(3) Non-periodic Removal from Constituents

- If an issue is removed from TOPIX, it will be removed from the TOPIX New Index Series and Size-based TOPIX Sub-Indices.

(4) Non-periodic Inclusion to Constituents

- When a constituent in the TOPIX New Index Series and Size-based TOPIX Sub-Indices

has been delisted due to a share transfer, merger, share exchange, or company split (hereinafter the “share transfer, etc.”), and the newly created, surviving, parent, or succeeding company (hereinafter the “newly created company, etc.”) is listed without delay and included in TOPIX, said company will be included in whichever index of the TOPIX New Index Series and Size-based TOPIX Sub-Indices in which the delisted company was included that includes the issues with the highest liquidity and largest free-float adjusted market capitalization.

Example: If both Company A in TOPIX Core30 and Company B in TOPIX Large70 are delisted due to a share transfer and Company C, the newly created company, is promptly listed and included in TOPIX, then Company C will be added to TOPIX Core30.

- Even though the number of constituents may decrease due to delisting between the periodic reviews, no supplementary inclusions are made to meet the intended number of constituents for each index (inclusions to meet the intended number of constituents for each index are only made during the October Review).

(5) Dates of constituent inclusion and removal

	Event Requiring Adjustment		Adjustment Date
Inclusion	Initial listing	When a constituent has been delisted due to a share transfer, etc. and the resulting newly created company, etc. is included as a constituent (*1)	Initial listing date (*2)
		When a constituent has been delisted due to a share exchange or absorption-type merger, and the surviving or parent company, which was not a constituent, is included as a constituent (*1)	Delisting date (*2)
	Inclusion into TOPIX		Date of inclusion into TOPIX
	Periodic review in October		Last business day of October
Removal	Delisting	When a constituent has been delisted due to a share transfer, etc. and the resulting newly created company, etc. is included	Initial listing date of the newly formed company etc, (normally two

	Event Requiring Adjustment		Adjustment Date
		as a constituent	business days following delisting date) (*2)
		Other than the above (e.g., non-surviving company as a result of a merger, share exchange, etc.)	Delisting date (*2)
	When a constituent has been delisted due to a share exchange or absorption-type merger, and the surviving or parent company, which was not a constituent, is included as a constituent (*1)		Delisting date (*2)
	Removal from TOPIX		Date of removal from TOPIX
	Periodic review in October		Last business day of October

*1: The new company or surviving stock will be included in whichever index of the TOPIX New Series and Size-based TOPIX Sub-Indices in which the delisted company was included that includes the issues with the highest liquidity and largest free-float adjusted market capitalization.

*2: Next business day when date in question falls on a non-business day.

III. Other

1. Distribution of Index Values and Index Data

(1) Index Values

- The index values of TOPIX Core30, TOPIX Large70, TOPIX 100, TOPIX Mid400, TOPIX 500, TOPIX Small, TOPIX 1000, and TOPIX Small500 price return indices are distributed in real-time through the Market Information System to securities companies, news media, and other institutions all over the country. The value of the TOPIX Core30, TOPIX500 and TOPIX1000 price return indices are distributed every second, and other indices are distributed every 15 seconds.
- The price index value of TOPIX Micro Cap and the Total Return Index are distributed daily at market close.

(2) Index Data

- Daily index data (e.g. base market value) is distributed through the Index Data Service.

2. Licensing

- JPXI and/or its affiliates reserve all calculation, distribution, publication, usage, and other rights pertaining to TOPIX New Index Series and Size-based TOPIX Sub-Indices. Because of this, the use of TOPIX New Index Series and Size-based TOPIX Sub-Indices in the composition and/or sale of financial products such as funds or linked bonds (including its use as the basis for options, swaps, warrants, or other OTC derivatives) requires a license from JPXI. A license from JPXI is also required for the provision, distribution, etc. of TOPIX New Index Series and Size-based TOPIX Sub-Indices to third parties.

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