

(Reference Translation)

Free Float Weight Calculation Methodology

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JPX Market Innovation & Research, Inc.

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Record of Changes

DATE	Changes
2022/4/4	<ul style="list-style-type: none">- Added information on the change of free float weight calculation methodology and the transition plan for the methodology change in line with the restructuring on April 4, 2022.- Clarified parts of (5) Estimation of non-free-float shares. These changes will become effective on June 30, 2021.- Added revisions with regard to the business transfer to JPXI (applied on April 1, 2022 retroactively)
2023/2/13	<ul style="list-style-type: none">- Clarified the treatment of issues for which the submission of companies' securities reports in the periodic review of the free float weight ratio are delayed.
2025/1/31	<ul style="list-style-type: none">- Deletion of the transition to the new FFW in line with the restructuring on April 4, 2022.- Clarified the notes regarding the description of (5) Estimation of non-free-float shares.

(1) Outline

Free-Float Weight (FFW) is the percentage of listed shares deemed to be available for trading in the market. JPX Market Innovation & Research, Inc. (JPXI) calculates a FFW for each listed company and uses this value in index calculation. The FFW of Company A may be different from that of Company B.

A FFW is calculated by first estimating the number of non-free-float shares (listed shares deemed not to be available for trading in the market) using published materials such as securities reports, etc. (including data prepared by TOYO KEIZAI INC. based on annual securities reports. The same applies hereinafter.) Next, the Non-FFW (Non-free-float shares / total listed shares) is calculated, then the FFW is obtained by subtracting the non-free-float weight from 1 ($1 - \text{Non-FFW}$). FFW is expressed as a figure in the range of 0.00000 to 1.00000 in increments of 0.00001.

FFW is reviewed in order to reflect the latest share ownership distribution. The timing of the FFW review varies depending on when earnings are announced. In addition to the periodic review, extraordinary reviews are conducted at JPXI's discretion if FFW changes significantly due to events such as third-party allotment.

(2) Periodic Review

In principle the announcement date and effective date of the periodic FFW review varies according to when listed companies announce earnings as below:

Settlement Term	Announcement Date	Effective Date*
January – March	Fifth business day of October	Last business day of October
April – June	Fifth business day of January	Last business day of January
July – September	Fifth business day of April	Last business day of April
October – December	Fifth business day of July	Last business day of July

* Adjustments will be made before markets open.

At the periodic review, FFW is rounded up to the nearest 0.05 as below after subtracting the non-FFW from 1 ($1 - \text{Non-FFW}$). However, companies with low liquidity described in (4) below will be multiplied by a fixed liquidity factor of 0.75 to derive the actual FFW used for calculation.

For stocks whose FFW could not be calculated by the announcement date in the table above

due to delays in submitting the securities report, they will be reviewed at the timing of the first periodic review after the calculation becomes possible, regardless of the accounting period.

FFW for periodic review

1 – Non FFW	≤ 0.05	≤ 0.10	≤ 0.15	≤ 0.20	≤ 0.25	≤ 0.30	≤ 0.35	≤ 0.40	≤ 0.45
FFW	0.05	0.10	0.15	0.20	0.25	0.30	0.35	0.40	0.45

≤ 0.50	≤ 0.55	≤ 0.60	≤ 0.65	≤ 0.70	≤ 0.75	≤ 0.80	≤ 0.85	≤ 0.90	≤ 0.95	≤ 1.00
0.50	0.55	0.60	0.65	0.70	0.75	0.80	0.85	0.90	0.95	1.00

(3) Extraordinary Review

JPXI may review FFW in the following cases where it deems that the existing FFW is expected to be significantly affected.

Third-party allotment, conversion of preferred shares or exercise of subscription warrants, demerger, merger/stock swap, take-over bid (TOB) and other events deemed applicable by JPXI.

(4) Adjustment for companies with low liquidity in comparison to market capitalization

With this principle in mind, a fixed liquidity factor (0.75) is applied to the FFW derived from securities reports and other public documents for TOPIX constituents with low liquidity based on past trading compared to market capitalization, and this is reflected in the FFW used to calculate TOPIX, etc. Refer to the Index Guidebook for each index for whether the factor applies.

The companies to which the liquidity factor is applied are reviewed every April and the base date for the review is the last day of February. A list of the companies to which the liquidity factor is applied is published on the fifth business day of April and the liquidity factor is applied to the relevant constituents beginning on the last business day of April. For companies newly included in TOPIX between March 1 and the end of February of the following year due to a new listing or market transfer, etc., the liquidity factor will be applied until the next periodic review in April. However, in the case of a new listing due to a stock transfer etc., if a liquidity factor is applied to the prior company (the substantial surviving company if there are two or more companies involved), a liquidity factor will also be applied to the newly listed company.

For example, a company newly listed in February 2009 and included in TOPIX at the end of March 2009 will have the fixed liquidity factor (0.75) applied to the FFW obtained based on securities reports and other publicly available documents until April 2010. At the next periodic review in April 2010, the company will be reviewed for liquidity factor application along with all other constituents.

(5) Estimation of non-free-float shares

a. Information sources

Published materials such as securities reports, etc..

b. Estimation of non-free-float shares

JPXI considers the following to be non-free-float shares:

Shares held by the top 10 major shareholders(*1), treasury and other similar stock (including “Cross-Shareholdings” (shares with limited voting rights as specified in Article 308 (1) of the Companies Act)), shares held by board members and other representatives, shares held by other listed companies for investment purposes other than pure investment (hereinafter “Specified Equity Securities”)(*2), and other shares deemed by JPXI to be unavailable for trading in the market.

*1: JPXI may treat shares held by the top 10 major shareholders as free-float shares as set out in the below table (the list is not exclusive).

*2: Securities deemed to be held, indicated in the section on the state of corporate governance, etc. in the securities report, will not be included in the estimation of non-free-float shares.

Examples of free-float shares:

Condition	Major shareholder
Shares considered as free-float as a general rule	Securities finance companies, securities depositories, nominees for depository receipts
Shares likely to be deemed as free-float: Cases where any of the following conditions are	Trust banks, master trusts, global custodians, insurance companies, securities companies, etc.

Condition	Major shareholder
<p>met and JPXI deems it appropriate to consider* such shares as free-float.</p> <ul style="list-style-type: none"> - There are descriptions in the Securities Report on the type of trust, the purpose of purchase of shares, etc. - It is clear that shares are held by several beneficiaries and managed centrally - It is clear that shares are held for margin transactions 	

* There are cases where the need to restrain extreme movements in FFW may be taken into account.

(6) Other

a. Exemption of liability

In the case of any error in index calculation, a computer malfunction, natural disasters or any other unavoidable circumstances, JPXI may postpone or cancel the calculation of the indices. JPXI shall not, under any circumstances, guarantee the accuracy of the indices and calculation based on this document. Should any error occur in index calculation and calculation based on this document, JPXI shall not be liable for any damages incurred by any person or organization.

b. Contact

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