



JPX-Nikkei Index Human Capital 100 Guidebook

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JPX Market Innovation & Research, Inc.
Nikkei Inc.

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(Reference Translation)

Record of Changes

DATE	Changes
2025/5/8	• Launch
2025/7/31	• Added the treatment of spin-offs

Introduction

- JPX Market Innovation & Research, Inc. (JPXI) and Nikkei Inc. (Nikkei) (hereinafter JPXI and Nikkei are collectively referred to as “the Index Provider”) calculate and distribute JPX-Nikkei Index Human Capital 100 (hereafter “JPX-Nikkei HC100”) in accordance with the methods described in this document. If an event not specified in this document occurs, or if the Index Provider determines that it is difficult to apply the methods described in this document, the Index Provider may use an alternative method of index calculation and management as it deems appropriate.
- Copyright of this document is owned by the Index Provider and any copies, reprints or reproductions of this document in whole or in part are prohibited without the prior approval of the Index Provider. This document is prepared solely for the understanding of indices calculated, distributed, and published by the Index Provider, and is not to be construed as a solicitation for trading any securities or related financial instruments. The Index Provider shall accept no liability or responsibility for any loss or damage arising from errors, delays, or termination of the calculation or publication of JPX-Nikkei HC100, changes to its calculation, distribution or publication method, the use of JPX-Nikkei HC100 or all or any part of this document or other similar events.
- The Index Provider calculates both price and total return versions of JPX-Nikkei HC100.

I. Outline of the Index

- JPX-Nikkei HC100 is composed of the JPX-Nikkei Index 400 constituent stocks. Constituents shall be selected by the Index Provider factoring in their extent of engagement with human-capital-conscious management.
- The number of JPX-Nikkei HC100 constituents shall be 100, as a general rule. This base number of constituents shall be used in the periodic review occurring in August. The number of constituents may temporarily differ from the base number due to delisting and other factors between reviews.
- The periodic review of the constituents will be conducted once a year (August).
- The base date is August 31, 2017. The base value is 10,000 points.

II. Index Calculation

1. Outline

- JPX-Nikkei HC100 is calculated using free-float adjusted market value weighting. The index is denominated in points and is calculated to the second decimal place (The third digit after the decimal point is rounded to ensure that the value has two digits after the decimal point).
- The Free-Float weight used for the JPX-Nikkei HC100 (hereinafter referred to as the “JPX-Nikkei HC100 FFW”) shall be the ratio obtained by multiplying the Free-Float weight specified in Section 6 of this chapter (hereinafter referred to simply as the “FFW”) by Ranking Factor and the cap-adjustment factor.

2. Formula

$$\text{Index} = \frac{\text{CMV}}{\text{BMV}} \times \text{Base Point}$$

CMV = Current market value

BMV = Base market value

Current Market Value

$$= \sum (\text{Number of Shares used for index calculation for Each Constituent} \\ \times \text{Stock Price for Each Constituent})$$

3. Stock Price Used for Calculation

- The stock prices used for calculating JPX-Nikkei HC100 are determined by the following order of priority:

(1) Special Quote Price or Sequential Trade Quote Price, (2) Contract Price, (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.)

4. Number of Shares Used for Index Calculation

- The number of shares used for index calculation is determined by multiplying the number of listed shares used for index calculation by the JPX-Nikkei HC100 FFW.

$$\begin{aligned} &\text{Number of Shares Used for Index Calculation} \\ &= \text{Number of Listed Shares Used for Index Calculation} \times \text{JPX-Nikkei HC100 FFW} \end{aligned}$$

- The number of listed shares used for index calculation is the number of shares obtained through processes specially arranged for index calculation, based on the number of listed shares. Regularly, the number of each issue's listed shares used for index calculation is equivalent to that of each issue's outstanding shares, however, in the case of a stock split, for example, a temporary difference could occur between the two figures. This is because the number of listed shares changes on the listing change date, while the number of listed shares for index calculation changes on the ex-rights date.

5. Ranking Factor and Cap-adjustment factor

- Ranking Factor is a factor that adjusts the constituent weight by Comprehensive Human Capital Score ranking (refer to Chapter III) used to select the constituent stocks of the JPX-Nikkei HC100. It calculates as shown in the table below. If multiple stocks have the same Comprehensive Human Capital Score, they will be ranked equally and will be given the smallest (highest) ranking among those stocks.
- Ranking Factor shall be applied at the effective date of Periodic Review (the last business day of August) and shall not be changed until next Periodic Review.

< Calculation criteria for Ranking Factor >

Comprehensive Human Capital Score ranking	Ranking Factor
1st to 25th	2.0
26th to 50th	1.5
51st to 100th	1.0
101st to 120th	0.5

- The cap-adjustment factor is set so that each constituent weight, which is calculated by

multiplying the number of listed shares used for index calculation of each stock by the Stock Price, FFW and Ranking Factor as of the base date on the Initial Selection and Periodic Review (hereinafter referred to as the “Base Date”), does not exceed 10% of the total weight of the index. In cases where the cap maximum is exceeded following periodic selection, the cap-adjustment factor shall not be altered until the periodic selection application date of the following year.

- However, in cases where there is a remarkable change in the constituent weight described above due to, for example, periodic review of the FFW described below or corporate consolidation, merger, acquisition, etc. of a JPX-Nikkei HC100 constituent, an extraordinary revision of the cap-adjustment factor of constituents may be conducted.

6. Free-Float Weight

(1) Outline

- Free-float weight (FFW) is the percentage of listed shares deemed to be available for trading in the market. The Index Provider calculates 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 / number of listed shares used for index calculation) 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 the Index Provider'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*
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(Reference Translation)

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 – non-FFW).
- 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

- The Index Provider 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 the Index Provider.
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(4) Estimation of non-free-float shares

a. Documents

Published materials such as securities reports, etc.

b. Estimation of non-free-float shares

The Index Provider 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 the Index Provider 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.

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 met and the Index Provider deems it appropriate to consider* such shares as free-float. - 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	Trust banks, master trusts, global custodians, insurance companies, securities companies, etc.

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

III. JPX-Nikkei Index Human Capital 100 Constituent Selection

1. Initial Selection and Periodic Review

(1) Outline¹

- Initial selection shall be conducted according to (2) Selection Criteria, with a Base Date of June 30, 2017.
- Periodic review of JPX-Nikkei HC100 constituents (addition/removal) shall be conducted according to (2) Selection Criteria, based on market capitalization, etc. of issues on the Base Date. The Base Date for periodic review shall be the final business day of June of each year.
- The result of the periodic review shall be released on the 5th business day prior to the final business day of August, and calculation of the index using the new constituents shall commence from the final business day of August following the periodic review.

(2) JPX-Nikkei HC100 Selection Criteria

- The selection process shall be conducted as follows (For details such as scoring, etc., refer to “Chapter III, Section 4: Handling of Data used for Selection”). However, in cases where the Index Provider deems a selected issue significantly inappropriate as a constituent of the JPX-Nikkei HC100, said issue may not be added.
 - i. Selection of eligible constituents
The constituent stocks of the JPX-Nikkei 400 for the relevant selection year (selected on the same Base Date as the initial selection or periodic review date for the JPX-Nikkei HC100) shall be eligible constituents.
 - ii. Assign Human Capital Score ranging from 0 to 100 to the stocks in i. above. Stocks that cannot be assigned Human Capital Score shall be excluded from the selection.
 - iii. Extra points shall be given to the stocks in ii. above if each of the conditions for Extra points in the following table is met. Please note that these conditions are subject to change in the future based on their fulfillment situation, etc.

¹ Note that for 2020, the Base Date of the periodic review has been set as September 30, 2020 and the effective date has been set as November 30, 2020, taking into account the extension of the filing deadline for securities reports, etc., due to the impact of the COVID-19 pandemic.

< Items and conditions to Extra points>

Item	Condition	Extra points
The ratio of female managers	The ratio of female managers is 30% or more.	5
The growth rate of the average annual salary of employees	The growth rate of the average annual salary of employees is in the top 40 among the eligible constituents.	5
The growth rate of operating profit per employee	The growth rate of operating profit per employee is in the top 40 among the eligible constituents.	5

- iv. The Human Capital Scores assigned in ii. above and the Extra points given in iii. above are added to determine the Comprehensive Human Capital Scores. The ranking of the Comprehensive Human Capital Scores shall be made from highest to lowest (descending order).
- v. Selection shall be conducted as below, based on the Comprehensive Human Capital Scores in iv. above. In cases where multiple issues have the same Comprehensive Human Capital Scores, the issue with the highest value calculated by multiplying the number of listed shares used for index calculation by the Stock Price shall prevail.
- (a) Initial Selection
- The top 100 issues shall be selected according to the rankings in iv. above.
- (b) Periodic Review
- (i) 100 issues are selected in the ascending order of the ranking in iv. above among constituents of JPX-Nikkei HC100 on the Base Date, provided they are within the top 120 of this ranking.
- (ii) If 100 issues are not selected in the preceding paragraph (i), the top ranking issues according to the rankings in iv. above shall be selected until the number of constituents reaches 100.

2. Non-Periodic Removal from Constituents

- In cases where constituents are deleted from the JPX-Nikkei 400 constituents, they shall be also removed from JPX-Nikkei HC100 (see Chapter IV).
- Additionally, in cases where the Index Provider deems the continued inclusion of a constituent to be significantly inappropriate, said issue shall be removed from JPX-Nikkei HC100.

3. Non-Periodic Inclusion to Constituents

- When a constituent has been delisted due to a share transfer, merger, share exchange for the creation of a new company, or company split (hereinafter “share transfer, etc.”), and the newly created, surviving, parent, or succeeding company (hereinafter “newly created company, etc.”) is listed without delay, said newly created company, etc. shall be added only if the company that the Index Provider deems to be the subject of the newly created company, etc. (determined in consideration of allotment ratio, market value, trading value etc.) was a JPX-Nikkei HC100 constituent (see Chapter IV).
- When a spin-off (an allocation of shares of a spun-off subsidiary or business division through surplus dividends) of a constituent results in a new listing of the company that has become independent via a spin-off (hereinafter “spun-off company”) between the ex-rights date and the effective date, the spun-off company will be included in the index (see Chapter IV).
- Even if the number of constituents in JPX-Nikkei HC100 decreases between periodic reviews due to the removal of constituents by means other than the periodic review as described in the previous item 2., no supplementary inclusions are made to meet the intended number of constituents (inclusions to meet the intended number of constituents are only made during the periodic review in August).

4. Handling of Data used for Selection

As a general rule, the following data is used for selection of the JPX-Nikkei HC100 constituents.

(1) Human Capital Scores

- The Human Capital Score (ESG Performance Score Core - Dimension Human Capital Score) provided by ESG Book as of the Base Date of initial selection or periodic review shall be used. The Human Capital Score is majored in increments of 0.01, with a minimum value of 0.00 and a maximum value of 100.00.

- From the initial selection until the periodic review with the Base Date of the last business day of June 2024, the Human Capital Score as of April 8, 2025, provided by ESG Book, are used.

(2) Data related to Extra points

- In cases of an absorption-type merger/stock swap during the relevant period, as a general rule, the information of the surviving company following the merger or the new parent company following the stock swap shall be used for the fiscal years prior to such merger/stock swap.
- In cases of technical listing via succession due to a share transfer, merger for the creation of a new company, or demerger, etc., the information of the company which the Index Provider deems the subject of the corporate action pertaining to said technical listing shall be used for the fiscal years prior to the technical listing (to be determined in consideration of factors such as share transfer ratio, trading value, market capitalization, and other factors).
- In cases where the number of months included in the target fiscal years exceeds or falls below 12 due to an irregular accounting period, related figures shall be adjusted to be equivalent to those for a 12-month period.
- In cases when there is no information on Extra points or information necessary for calculating Extra points, no Extra points will be given.

(a) The ratio of female managers

- From the initial selection until the periodic review with the Base Date of the last business day of June 2023, the ratio of female managers as of April 8, 2025, provided by ESG Book, are used.
- For periodic reviews with a Base Date on or after the last business day of June 2024, the “Ratio of women workers in management positions” for consolidated companies stated in the “Information about employees” section of the securities report for the fiscal year ended in April one year prior to the Base Date up to the fiscal year ended in March immediately preceding the Base Date (if no securities report was submitted for the period due to an irregular accounting period, the “Percentage of female employees in management positions” for consolidated companies listed in the “Information about employees” section of the most recent securities report prior to the Base Date) shall be used. If the “Ratio of women workers in management positions” is not disclosed as a consolidated company in the “Information about employees” section, the information for the

reporting company shall be used.

- In cases of technical listing via succession due to a share transfer, merger for the creation of a new company, or demerger, etc., and has not submitted a securities report for the fiscal year ended in April one year prior to the Base Date up to the fiscal year ended in March immediately preceding the Base Date, the Extra points for the ratio of female managers will not be given.

(b) The growth rate of the average annual salary of employees

The growth rate of the average annual salary of employees shall be calculated as below.

The growth rate of the average annual salary of employees =

$$\left(\frac{\text{Average annual salary of employees for the most recent fiscal year}}{\text{Average annual salary of employees for the fiscal year 3 periods ago}} \right)^{\frac{1}{3}} - 1$$

- The “Average annual salary” stated in the “Information about employees” section of the securities report for the fiscal year ended in April four years prior to the Base Date up to the fiscal year ended in March immediately preceding the Base Date (if no securities report was submitted for the period due to an irregular accounting period, the most recent securities report for the fiscal year immediately preceding the relevant period) shall be used.
- In cases of technical listing via succession due to a share transfer, merger for the creation of a new company, or demerger, etc., and a technical listing company does not have securities reports for four fiscal years, the calculation shall be made as follows.

In cases when only three periods of securities reports are available

The growth rate of the average annual salary of employees =

$$\left(\frac{\text{Average annual salary of employees for the most recent fiscal year}}{\text{Average annual salary of employees for the fiscal year 2 periods ago}} \right)^{\frac{1}{2}} - 1$$

In cases when only two periods of securities reports are available

The growth rate of the average annual salary of employees =

$$\frac{\text{Average annual salary of employees for the most recent fiscal year}}{\text{Average annual salary of employees for the fiscal year a period ago}} - 1$$

In cases when only one term of securities report is available, the Extra points for the growth rate of the average annual salary of employees will not be given.

(c) The growth rate of operating profit per employee

The growth rate of operating profit per employee shall be calculated as below.

$$\begin{aligned} \text{The growth rate of operating profit per employee} &= \\ &\frac{\frac{\text{Total operating profit for past 3 years}}{\text{Total number of employees for past 3 years}}}{\frac{\text{Total operating profit for past 3 years in previous fiscal year}}{\text{Total number of employees for past 3 years in previous fiscal year}}} - 1 \end{aligned}$$

- The “Operating profit” in the earnings reports of a listed company from the fiscal year ended in April four years prior to the year in which the Base Date falls to the fiscal year ended in March immediately preceding the Base Date shall be used.
- The “Number of employees” stated in the “Information about employees” section of the securities report for the fiscal year ended in April four years prior to the Base Date up to the fiscal year ended in March immediately preceding the Base Date (if no securities report was submitted for the period due to an irregular accounting period, the most recent securities report for the fiscal year immediately preceding the relevant period) shall be used. If the “Number of employees” is not disclosed in the consolidated securities report for the consolidated companies, the information for the reporting company shall be used.
- In cases when Total operating profit for past 3 years or Total operating profit for past 3 years in previous fiscal year is zero or less, the Extra points for the growth rate of operating profit per employee will not be given.

IV. Adjustments to Base Market Value

- Whenever the market value of the index changes due to an increase or decrease in constituent issues, capital raising, or similar events other than market fluctuations, the base market value for JPX-Nikkei HC100 is adjusted as follows to maintain continuity.
- However, the Events that Require Adjustment and the adjustment methods during the period from the commencement date to July 18, 2025 may differ from the provisions of this chapter.

1. Events that Require Adjustment

(1) Inclusion or Removal of Constituents

	Event Requiring Adjustment		Adjustment Date	Stock Price Used for Adjustment
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.	Initial listing date (*1)	Base Price
		When a spin-off of a constituent results in a new listing of the spun-off company between the ex-rights date and the effective date (*1).	Initial listing date (*1)	Offering Price or Reference Price
	Periodic review in August		Last business day of August	Stock price on business day before adjustment date
Removal	Delisting	When a constituent has been delisted due to a share transfer, etc. and the resulting newly created company, etc. is included as a constituent.	Initial listing date of the newly formed company (normally two business days following delisting date) (*1)	Stock price on business day before delisting date (*2)
		Delisting other than those stated above (e.g. non-surviving company as a result of merger/stock swap, etc.)	Delisting date (*1)	Stock price on business day before adjustment date
	Designation as Securities to be Delisted or Securities on Special Alert		Four business days after such a designation (*1)	Stock price on business day before adjustment date
	Periodic review in August		Last business day of August	Stock price on business day before adjustment date

- Adjustments to the base market value are made after the end of trading on the business day before the adjustment date (i.e., before the market opens on the adjustment date). The same shall apply hereinafter.

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

*2: During the period from the delisting date to the business day before the date of removal from the index,

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the price on the business day before the delisting date is used for index calculation.

(2) Changes in Number of Shares Used for Index Calculation

Event Requiring Adjustment		Adjustment Date	Stock Price Used for Adjustment
Change of JPX-Nikkei HC100 FFW		Change date	Stock price on business day before adjustment date
Public offering		Additional listing date (day after the payment date) (*1)	Stock price on business day before adjustment date
Third-party allotment		Five business days after additional listing date which is two business days after payment date	Stock price on business day before adjustment date
Capital increase through allotment to shareholders		Ex-rights date	Payment price per share
Exercise of subscription warrants		Last business day of the month following exercise	Stock price on business day before adjustment date
Conversion of preferred stock, etc.		Last business day of the month following conversion	Stock price on business day before adjustment date
Cancellation of treasury stock		Last business day of the month following cancellation	Stock price on business day before adjustment date
Merger/stock swap	Situations in which a constituent of the indices calculated by JPXI or Index Provider (*2) is the non-surviving entity (Limited to cases where a constituent of the JPX-Nikkei HC100 is surviving entity and a constituent of indices calculated by JPXI or Index Provider is non-surviving entity)	Delisting date of the non-surviving entity	Stock price on business day before adjustment date
	Situations other than those described above (including the share delivery where the share-delivery subsidiary is an unlisted company)	Listing change date (effective date)	Stock price on business day before adjustment date
Spin-off (adjustment of the company that carries out the spin-off) (*3)	Situations in which a spun-off company is newly listed between the ex-rights date and the effective date	Initial listing date of the spun-off company	Stock price at end of trading on business day before adjustment date

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Sale of shares held by the Government of Japan (Nippon Telegraph and Telephone, Japan Tobacco, Japan Post Holdings, and Tokyo Metro only)	Date determined by the Index Provider (*4)	Stock price on business day before adjustment date
Rights offering (*5)	Ex-rights date	Payment price per share
Demerger (absorption-type)	Additional listing date (effective date)	Stock price on business day before adjustment date
Other adjustments (*6)	Last business day of the month in which the information announced in “Sho-ho” (TSE Notice) or the last business day of the following month	Stock price on business day before adjustment date

*1: Next business day when the additional listing date, initial listing date or effective date falls on a holiday (the same apply hereafter)

*2: As a general rule, limited to constituents of the indices calculated by JPXI or Index Provider which are common stocks.

*3: If the new listing date of the spun-off company is not the same as the ex-rights date of the spin-off, the number of shares used for index calculation will be temporarily adjusted using the free-float weight from the ex-rights date to the new listing date of the spun-off company.

*4: Generally the delivery date

*5: Capital increase through gratis allotment of subscription warrants (namely, rights offering) corresponds to an increase in shares by the number of shares calculated by multiplying the number of listed shares used for index calculation as of the last day with rights by the number of subscription warrants allotted per share.

*6: For example, situations in which an issuer of convertible bonds or other securities conducts a stock split; the number of shares calculated based on ratios for stock splits, reverse stock splits, or share allotments to shareholders, etc. is different than the final number of shares determined after the effective date; revisions have been made by listed companies after data has been reflected in index calculation; or in the case of shares held by the Government of Japan being sold, when the determination of the number of shares is announced in “Sho-ho” (TSE Notice) after the date of the additional listing.

*7: Since market value does not change when there is a stock price revision made due to an increase (or decrease) in the number of shares used for index calculation such as a stock split or reverse stock split, etc., no adjustment is made to base market value (BMV).

*8: If the adjustment date in the table above is significantly close to the date of the announcement in “Sho-ho” (TSE Notice), as a general rule, the event requiring adjustment will be reflected as an “other adjustment” at a later date.

(3) Data Source

- Information on the reasons for base market value adjustments, details on the adjustment, adjustment dates and other data are available through the “Sho-ho” (TSE Notice) published daily by TSE based on reports, etc. submitted by issuers. (Please refer to Section II 6. for information on calculating FFW.)
- Even if the previously announced “Sho-ho” (TSE Notice) that resulted in an index adjustment is revised based on the issuer’s report, retroactive index adjustments will

NOT be made based on the revised contents.

2. Adjustment Method

(1) Indices that do not reflect dividends (i.e. price indices)

i. Adjustment Method

- The base market value will be adjusted according to the formula below in order to maintain the continuity of the index:

$$\frac{\text{Previous Business Day Market Value}}{\text{Old Base Market Value (Before Adjustment)}} = \frac{(\text{Previous Business Day Market Value} \pm \text{Adjustment Amount})}{\text{New Base Market Value (After Adjustment)}}$$

*Adjustment Amount = Increase (Decrease) in Number of Shares Used for Index Calculation x Stock Price Used for Adjustment

Therefore,

$$\text{New Base Market Value} = (\text{Old Base Market Value} \times (\text{Previous Business Day Market Value} \pm \text{Adjustment Amount}) / (\text{Previous Business Day Market Value}))$$

ii. Adjustment Example

- If, for example, the old base market value is 200 trillion yen and the previous day's market value is 400 trillion yen, the index value on the previous day will be:

$$\text{Previous Day's Index} = ¥400 \text{ tn} \div ¥200 \text{ tn} \times 10,000 = 20,000.00$$

- Now, suppose that the number of listed shares of Stock A used for index calculation increases by 100 million shares due to a public offering. If its closing price on the previous day was ¥2,000, the adjustment amount is 100 million shares x ¥2,000 = ¥200 billion. The new base market value, therefore, is:

$$\text{New Base Market Value} = ¥200 \text{ tn} \times (¥400 \text{ tn} + ¥200 \text{ bn}) \div ¥400 \text{ tn} = ¥200.1 \text{ tn}$$

- As illustrated below, if there is no price change in any constituent, the value for the index today is the same as the previous day: 20,000 points. Thus, continuity in the index is

maintained through adjustments to base market value even if the market value of constituents changes due to public offering.

$$(\text{¥}400 \text{ tn} + \text{¥}200 \text{ bn}) \div \text{¥}200.1 \text{ tn} \times 10,000 = 20,000 \text{ points}$$

(2) Total Return Index

- Dividends used in calculating the Total Return Index are gross (i.e. before tax)
- Since the dividend amount for the current period is not fixed as of the ex-dividend date, adjustments made to reflect dividends in the base market value are made in two stages: 1) adjustment using estimated dividends and 2) minor adjustments made to reflect differences between estimated dividend and dividend amount announced in the earnings report, etc.

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a. Adjustments Using Estimated Dividends

- The total dividend amount for all constituents is calculated on ex-dividend dates using estimated dividends, and the base market value is adjusted as above. In principle, the estimated dividend amount used is as follows:
 - i. Dividend amount for the current period as announced in timely disclosure documents, if available.
 - ii. Dividend amount for the previous period if the dividend for the current period is not fixed (e.g. the dividend is not announced in disclosure documents as i. above, or the amount is not determined, etc.)
- The base market value adjustment method is basically as described in the previous section, except an adjustment is made to reflect dividends as follows:

New Base Market Value =

$$\frac{\text{Old Base Market Value} \times (\text{Previous Business Day Market Value} - \text{Total Dividends} \pm \text{Adjustment Amount})}{\text{Previous Business Day Market Value}}$$

*Dividends per Constituent = Number of Shares Used for Index Calculation on Business Day Before Ex-Dividend Date × Estimated Dividend Per Share

*Total Dividends = Sum of Dividends for All Constituents

*Adjustment Amount = Increase (Decrease) in Number of Shares Used for Index

Calculation × Share Price Used for Adjustment

b. Minor Adjustment to Reflect Difference Between Estimated Dividend and Dividend Announced in the Earnings Report, etc.

- Minor adjustments are made with respect to those constituents for which the estimated dividend used on the ex-dividend date and the dividend announced in the earnings report or the notice of dividends of surplus (hereinafter the “earnings report, etc.”) are different. Specifically, the total dividend adjustment amount is calculated and the base market value adjustments are made on the last business day of the month in which the dividend is announced in the earnings report, etc. (hereinafter the “publication date”; if the publication date is one business day before the last business day of the month or the last business day of the month, adjustments will be as a general rule, made on the last business day of the next month).

New Base Market Value =

$$\frac{\text{Old Base Market Value} \times (\text{Previous Business Day Market Value} - \text{Total Adjusted Dividends} \pm \text{Adjustment Amount})}{\text{Previous Business Day Market Value}}$$

- * Adjusted Dividend per Constituent = Number of Shares Used for Index Calculation on Business Day Before Ex-Dividend Date × (Dividend Announced in Earnings Report, etc. - Estimated Dividend per Share)
- * Total Adjusted Dividends = Sum of Adjusted Dividends for All Constituents
- * Adjustment Amount = Increase (Decrease) in Number of Shares Used for Index Calculation × Stock Price Used for Adjustment

V. Other

1. Distribution of Index Values and Index Data

(1) Index Values

- The JPX-Nikkei HC100 price index values are distributed in real-time (every 15 second) through the Market Information System to securities companies, news media, and other institutions all over the country.
- Total return index value of the JPX-Nikkei HC100 is calculated daily at market close.

(2) Index Data

- Index data relating to the JPX-Nikkei HC100 (base market value, number of shares for each constituent, etc.) are distributed through the Index Data service and Nikkei Indexes “Premium Data Package”.

2. Licensing

The JPX-Nikkei HC100 is a copyrighted material calculated in a methodology independently developed and created by the Index Provider. Because of this, the Index Provider is the sole exclusive owner of the copyright, calculation, distribution, publication, usage and other intellectual property rights in the JPX-Nikkei HC100 itself and the methodology to calculate JPX-Nikkei HC100. Therefore, the use of the JPX-Nikkei HC100 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 the Index Provider. A license from the Index Provider is also required for the provision, distribution, etc. of the JPX-Nikkei HC100 to third parties.