

## (Reference Translation)

## FAQ for the Free-Float Weight

Updated on April 21, 2022

#	Question	JPXI's Response
1	What are "Free-Float Shares?"	"Free-Float Shares" are "shares of each company's listed shares that are likely to be traded (listed shares minus non-free-float shares.)"
2	How is the number of Free-Float Shares calculated?	In principle, the number of Free-Float Shares are calculated by the following formula No. of Free-Float Shares = No. of listed shares - (No. of shares held by top 10 major shareholders + No. of shares held by board members + No. of treasury shares + Shares of listed company held by other listed companies, etc. (Strategic shareholdings.)
3	Why was Free-Float Weight (FFW) introduced?	In response to an increase in passive funds and other linked assets, a Free-Float Weight (hereinafter "FFW") was introduced to reflect the volume of market circulation in the index and to improve the convenience of the index.
4	When did TOPIX become a Free-Float adjusted market capitalization-weighted index?	TOPIX introduced the FFW in three phases at the end of October 2005, the end of February 2006, and the end of June 2006. The term "phased-in in three stages" means that, for example, in case of FFW for some issue is 0.70, the FFW is 0.90 at the end of October 2005, 0.80 at the end of February 2006, and 0.70 at the end of June 2006, and the market capitalization for index calculation purposes is applied in stages.
5	Are corporate actions taken after the end of the fiscal year reflected in the periodic review of the FFW?	In cases where corporate actions are taken after the end of the fiscal year but before the announcement of the periodic review of the FFW, such as third-party allotments where it is deemed that the existing FFW is expected to be significantly affected, the FFW is calculated taking into account such corporate actions.
6	Where are the FFW published?	They are provided for a fee through the Index Data Service.
7	(Reference) What is the definition of number of tradable shares under the listing system?	The definition of number of tradable shares is as follows No. of tradable shares = No. of listed shares - (No. of shares held by major shareholders who individually own 10% or more + No. of shares held by officers, etc. + No. of treasury shares + No. of shares held by common banks, insurance companies, and business corporations in Japan + No. of other shares that TSE deems non-tradable) Reference : <a href="https://www.jpix.co.jp/english/equities/listing/continue/details/02.html">https://www.jpix.co.jp/english/equities/listing/continue/details/02.html</a>
8	What is the difference between "Free-Float Shares" and "Tradable Shares?"	"Free-Float Shares" is just one of the factors used to determine the relative weight of an index, whereas "Tradable Shares" is used as an absolute standard to judge whether an individual listed company meets the listing rules. Since their purposes are different, different definitions are provided.
9	What are the key changes to the calculation method of the FFW to be implemented in April 2022?	The 2 points of change are as follows; I. Shares held by the top 10 major shareholders, treasury and other similar stock, and shares held by board members and other representatives as reported in a company's securities report are designated as non-free float shares. In addition to these, equity securities held for investment purposes other than pure investment as indicated in the section on the state of corporate governance, etc. in the securities report (hereinafter "specified equity securities") will be newly designated as non-free-float shares when calculating the FFW. II. In line with this, the shareholder data that serves as the basis for the FFW calculation will then be collected from TOYO KEIZAI INC. based on annual securities reports, and JPXI will designate shares as free-float shares based on the names of shareholders as indicated in said sources.
10	How will the transition to this change in the calculation method of the FFW be implemented from April to June 2022?	To avoid excessive impact of this revision on the market, changes in the FFW due to the revision of the calculation method will be carried out in three stages on the last business days of April, May, and June 2022.
11	Can you elaborate on the details of how JPXI calculates the FFW?	The calculation of the FFW is based on the "Free-Float Weight Calculation Methodology", but we are unable to disclose the calculation method for individual companies.
12	If the issuing company provides shareholder information, etc., will this be taken into account in the calculation of the FFW?	FFW is calculated using annual securities reports, etc. (including data prepared by TOYO KEIZAI INC. based on annual securities reports) in order to ensure uniform valuation across all issues. Shareholder information provided by the issuing company is not taken into account in the calculation of the FFW.