

(Reference Translation)

TSE Index Guidebook (TOPIX)

April 4, 2022
Tokyo Stock Exchange, Inc.

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Record of Changes

DATE	Changes
2022/4/4	• Launch

Introduction

- Tokyo Stock Exchange, Inc. (TSE) calculates and publishes the Tokyo Stock Price Index (TOPIX) and Market Capitalization Weighted TOPIX (Ex-TOPIX) in accordance with the methods described in this document. If an event not specified in this document occurs, or if TSE determines that it is difficult to use the methods described in this document, TSE may use an alternative method of index calculation as it deems appropriate.
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I. Outline of Indices

- TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. The scope of the index is domestic common stocks, and securities such as subscription warrants, preferred stock, and equity contribution securities are not included.
- The base date for weighting calculations used in cap adjustments for TOPIX (hereinafter the "weighting base date") is the last business day of every August.
- The base date for TOPIX/Ex-TOPIX is January 4, 1968. The base value is 100.

II. Index Calculation

1. Outline

- TOPIX/Ex-TOPIX are calculated using market capitalization weighting.
- The calculation formula and method for adjustments of base market value, etc. are in accordance with the Index Calculation Guidebook.
- The free-float weight (FFW) ratio used in TOPIX calculation applies a liquidity factor as set in the Free Float Weight Calculation Methodology and a transition factor as described below.
- Ex-TOPIX is not adjusted by free-float weight.
- The upper weighting limit for any one constituent of TOPIX is 10%.

- If an issue's weight calculated by free-float adjusted market capitalization as of the weighting base date is over the upper limit, a cap-adjustment ratio will be applied to said issue on the last business day of October. Even if the weight again exceeds the upper limit due to stock price movements or other reasons, the cap-adjustment ratio will not be changed until the last business day of the next October.

2. Index Type

- For TOPIX, a price return index, a total return index and a net total return index are calculated.
- For Ex-TOPIX, a price return index and a total return index are calculated.
- The method of reflecting dividends in index values is in accordance with the Index Calculation Guidebook.

3. Inclusion or Removal of Constituents

(1) Weighting adjustments by tradable share market capitalization criteria*

***These criteria are only applicable from April 4, 2022 to January 31, 2025.**

i) Designation of "phased weighting reduction constituents"

- Of the TOPIX/Ex-TOPIX constituents as of April 1, 2022, those that fall under both the following (a) and (b) will be designated as "phased weighting reduction constituents":
 - (a) First decision: The constituent's tradable share market capitalization is less than JPY 10 billion as of the "Notice on Whether the Listed Company is Meeting the Continued Listing Criteria for New Market Segments", which has a base date of June 30, 2021, and
 - (b) Second decision: The constituent's tradable share market capitalization is less than JPY 10 billion at the end of the reporting period following the reporting period used in decision (a).
- Any constituent applying for listing on the 1st Section through an initial listing (excluding technical listings) or section transfer after the "first set of revisions pertaining to cash equity market restructuring" were implemented on November 1, 2020 will not be subject to designation as a phased weighting reduction constituent based on tradable share market capitalization.

ii) Adjustment to the weighting of phased weighting reduction constituents

- The weighting of phased weighting reduction constituents will be reduced in ten (10) stages on the last business day of every quarter starting on the last business

day of October 2022 (October 31, 2022), and these constituents will be removed from the index on the last business day of January 2025.

- Said adjustments to the weighting of phased weighting reduction constituents will be calculated by multiplying the FFW by the transition factor (which will decrease from 1.0 toward zero (0) in increments of 0.1).
- In order to check whether there have been changes to the tradable share market capitalization of each phased weighting reduction constituent, a re-evaluation will be conducted, using tradable share market capitalization as of the end of the reporting period following the reporting period used for the second decision in i) (b). If the tradable share market capitalization of a constituent has reached JPY 10 billion or more but the annual traded value ratio of said constituent has not reached 0.2 at this point, the transition factor will no longer decrease as of the fifth stage (it will stay at 0.6, the same as the fourth stage). If the tradable share market capitalization and the annual traded value ratio of a constituent have reached JPY 10 billion or more and 0.2 or more respectively at this point, the transition factor shall be increased to one (1) in increments of 0.1 from the fifth stage and said constituent will be removed from the list of phased weighting reduction constituents.

Transition schedule

Transition stage	Index revision date	Transition factor
1st	Last business day of Oct. 2022	×0.9
2nd	Last business day of Jan. 2023	×0.8
3rd	Last business day of Apr. 2023	×0.7
4th	Last business day of Jul. 2023	×0.6
Re-evaluation		
5th	Last business day of Oct. 2023	×0.5
6th	Last business day of Jan. 2024	×0.4
7th	Last business day of Apr. 2024	×0.3
8th	Last business day of Jul. 2024	×0.2
9th	Last business day of Oct. 2024	×0.1
10th (removed from index)	Last business day of Jan. 2025	×0

iii) Weighting adjustments for Ex-TOPIX

- For Ex-TOPIX, there will be no phased weighting reductions and phased

weighting reduction constituents will be removed on the last business day of January 2025.

(2) Non-periodic removal

- Constituents which are delisted (excluding cases where the stock lists on another TSE market immediately), designated as Securities to be Delisted, or designated as Securities on Alert shall be removed.
- If a constituent is designated as a Security on Alert as of the day of transition to the new market structure (April 4, 2022), said constituent will be removed from TOPIX/Ex-TOPIX on the last business day of April 2022.

(3) Non-periodic inclusion

- Stocks which carry out initial listings (excluding technical listings) on or transfer to the Prime Market will be included in TOPIX/Ex-TOPIX on the last business day of the month following the month containing the listing date or transfer date.
- In the event a constituent of TOPIX/Ex-TOPIX is delisted due to a stock transfer, stock swap, merger for creating a new company or demerger, and the newly created, surviving, or succeeding company is listed without delay, TSE will add the new company to the index.
- In the event a constituent of TOPIX/Ex-TOPIX is delisted due to a stock swap or absorption-type merger, in which the surviving company or the parent company holding all shares of the constituent company is not a constituent of TOPIX/Ex-TOPIX, then TSE will add the surviving company or the parent company to the index.
- For issues that are removed from the index due to designation as Securities on Alert, but have had said designation canceled as of the last business day of August 2023, if the company meets the same criteria as for the re-evaluation in 3. (1) ii), i.e. tradable share market capitalization of JPY 10 billion or more and annual traded value ratio of 0.2 or more, said company shall be added to TOPIX/Ex-TOPIX on the last business day of October 2023.

(4) Data used for calculation

- The free-float market capitalization used in the calculation of cap-adjustment ratio is the market capitalization for each index as of the weighting base date.
- For (1) i) (b), the tradable share market capitalization figure used is calculated using the method specified in the "second set of revisions pertaining to cash equity market restructuring" based on information submitted by listed companies by the last business

day of August 2022.

- For the re-evaluation in (1) ii), the tradable share market capitalization figure used is calculated using the method specified in the "second set of revisions pertaining to cash equity market restructuring" based on information submitted by listed companies by the last business day of August 2023.
- The traded value ratio used for the re-evaluation in (1) ii) is calculated using the sum of monthly traded value ratios from September 2022 to August 2023. The monthly traded value ratio shall be calculated as follows: (Median of daily traded value in trading sessions at TSE × number of business days in the month) ÷ free-float adjusted market capitalization as of the last business day of the month before the transition factor was applied.

(5) Dates of constituent inclusion and removal

	Event Requiring Adjustment		Adjustment Date
Inclusion	New listing on Prime Market		Last business day of the month following listing
	New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a TOPIX/Ex-TOPIX constituent being delisted and the new company being included in TOPIX/Ex-TOPIX.		New listing date (*2)
	Delisting of a TOPIX/Ex-TOPIX constituent due to a stock swap or an absorption-type merger with a surviving stock that is not a TOPIX/Ex-TOPIX constituent, and the surviving stock is included in TOPIX/Ex-TOPIX		Delisting date
	Transfer to Prime Market		Last business day of the month following change.
Removal	Delisting	New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a TOPIX/Ex-TOPIX constituent being delisted and the new company being included in TOPIX/Ex-TOPIX	Listing date of the newly formed company (normally two business days following delisting date)

	Event Requiring Adjustment	Adjustment Date
	Delisting other than those stated above (e.g. mergers/stock swaps between two TOPIX/Ex-TOPIX constituents with surviving company remaining as a TOPIX/Ex-TOPIX constituent, etc.)	Delisting date
	Designation as Securities to be Delisted or designation as a Security on Alert	Four business days after designation (*3)

*1: Stock transfer, stock swap, merger for creating a new company, or demerger.

*2: Next business day when the new listing date falls on a holiday.

*3: Next business day when the designation date falls on a holiday.

III. Other

1. Publication/Dissemination of Index Data

1) Index Values

- TOPIX/Ex-TOPIX price index values are disseminated in real-time through the Market Information System to securities companies, news media, and other institutions all over the country. The TOPIX price index is disseminated every second, and Ex-TOPIX is disseminated every 15 seconds.
- The Total Return Index of TOPIX/Ex-TOPIX, and the Net Total Return Index of TOPIX are calculated daily at market close.

2) Index Data

- Index data relating to TOPIX/Ex-TOPIX (base market value, number of shares for each constituent, etc.) is provided for a fee through the Tokyo Market Information service

2. Licensing

- TSE reserves all calculation, publication and other rights pertaining to TOPIX/Ex-TOPIX. As such, commercial use of such indices in the composition and/or sale of financial products such as funds or linked bonds (including using the index as the basis for options, swaps, warrants, or other OTC derivatives) or provision of index data requires a license from TSE.

3. Contact

Tokyo Stock Exchange, Inc.

Information Services, Index Group

Email: index@jpx.co.jp