TSE Index Guidebook
(Market Sector Indices)

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Tokyo Stock Exchange, Inc.

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## Record of Changes

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<th>Changes</th>
</tr>
</thead>
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<td>2013/8/14</td>
<td>Adjustment rule for “Right Offering” is added</td>
</tr>
<tr>
<td>2013/8/21</td>
<td>Methodology for Net Total Return Index is added</td>
</tr>
<tr>
<td>2014/6/2</td>
<td>Change for the Inclusion or Removal of Constituents (Corporate Consolidation, etc.)</td>
</tr>
<tr>
<td>2015/11/11</td>
<td>Addition of description on “Japan Post Holdings Co., Ltd.” to in the number of shares used for Index Calculation and shares held by the Japanese government</td>
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<tr>
<td>2018/7/23</td>
<td>Clarification of the treatment of “Rights Offering” and “Gratis Allotment of Shares”</td>
</tr>
<tr>
<td>2019/8/30</td>
<td>Clarification of the Inclusion or Removal of Constituents</td>
</tr>
<tr>
<td>2020/3/31</td>
<td>Revised the date for adjusting base market value following the shortening of stock settlement cycle to T+2</td>
</tr>
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<td>2020/6/30</td>
<td>Revision to bring forward the date for minor adjustments related to ex-dividend</td>
</tr>
<tr>
<td>2020/12/25</td>
<td>Clarification of the treatment of section transfers, etc.</td>
</tr>
</tbody>
</table>
Introduction

- Tokyo Stock Exchange, Inc. (TSE) calculates and publishes the Tokyo Stock Price Index (TOPIX), Tokyo Stock Exchange Second Section Index, Tokyo Stock Exchange Mothers Index, JASDAQ Index, JASDAQ Index (Standard) and JASDAQ Index (Growth) (“TSE-calculated indices” hereafter) 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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- TSE calculates both price and total return versions of all indices described in this guidebook except for JASDAQ Index, JASDAQ Index (Standard) and JASDAQ Index (Growth), for which only the price index is calculated.

I. Outline of Stock Price Indices

- TSE-calculated indices are composed of the common stocks of all issues listed on each respective market, although the timing of additions and exclusions differ from that of the listing system (please refer to part III below).

- Securities such as subscription warrants, preferred stock, and equity contribution securities are not included in calculation.

- The base date and base value for each index is as below:
II. Index Calculation

1. Outline
   - TSE-calculated indices are calculated using free-float adjusted market capitalization weighting. Each index is denominated in points and is calculated to the second decimal place (values beyond the second decimal are rounded).

2. Formula

\[
\text{Index} = \left( \frac{\text{CMV}}{\text{BMV}} \right) \times \text{Base Point}
\]

\(\text{CMV} = \) Current market value (free-float adjusted)
\(\text{BMV} = \) Base market value (free-float adjusted)

3. Stock Price Used for Calculation
   - The stock prices used for calculating and adjusting base market value for TSE-calculated indices are prices from auction trading on TSE and are determined by the
following order of priority:

(1) Special Quote or Sequential Trade Quote, (2) Contract Price, (3) Base Price for Index Calculation when neither (1) or (2) are available (determined in the following order: (1) Theoretical Ex-rights Price, (2) Most Recent Special Quote or Sequential Trade Quote on or before the previous trading day, (3) Most Recent Contract Price 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 total number of listed shares by the free-float weight (FFW) ratio.

\[
\text{Number of Shares Used for Index Calculation for Each Stock} = \text{Total Number of Listed Shares} \times \text{FFW Ratio}
\]

- In general, the “total number of listed shares” in the above formula is equal to the number of listed shares, but in some cases these numbers are different due to corporate actions such as stock splits. For example, in a stock split, the number of listed shares changes on the listing change date, which comes after the effective date. On the other hand, the total number of listed shares used in index calculation (before FFW adjustment) changes on the ex-rights date, leading to a brief period in which the two numbers are different.

- Also, the total number of listed shares used in index calculation (before FFW adjustment) is generally equal to the number of issued shares, but in the case of Nippon Telegraph and Telephone Corporation, Japan Tobacco, Inc., and Japan Post Holdings Co., Ltd., the government of Japan holds some issued shares that have not been listed, leading these two numbers to be different.

- Please refer to the appendix for information on calculating FFW ratio. Ex-TOPIX, JASDAQ Index, JASDAQ Index (Standard) and JASDAQ Index (Growth) do not apply free-float weighting.
III. 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 values for TSE-calculated indices are adjusted as follows to maintain continuity.

1. Events that Require Adjustment
   1) Inclusion or Removal of Constituents

<table>
<thead>
<tr>
<th>Event Requiring Adjustment</th>
<th>Adjustment Date</th>
<th>Stock Price Used for Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>New listings on 1st section (direct listing, listing via other exchange)</td>
<td>Last business day of the month following listing</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>New listing of a newly formed company resulting from a corporate consolidation, etc.*1 that results in a TOPIX or Ex-TOPIX constituent being delisted and the new company being included in TOPIX.</td>
<td>New listing date*2</td>
<td>Base price</td>
</tr>
<tr>
<td>Change in listed section/market to 1st section from 2nd section, Mothers or JASDAQ markets</td>
<td>Last business day of the month following designation to new section/market*3</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a TOPIX or Ex-TOPIX constituent being delisted and the new company being included in TOPIX.</td>
<td>Listing date of the newly formed company (normally two business days following delisting date)</td>
<td>Stock price at the end of trading on the business day before delisting date*4</td>
</tr>
<tr>
<td>Event Requiring Adjustment</td>
<td>Adjustment Date</td>
<td>Stock Price Used for Adjustment</td>
</tr>
<tr>
<td>----------------------------</td>
<td>----------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Delistings other than those stated above (e.g. mergers/acquisitions between two TOPIX constituents with surviving company remaining as a TOPIX constituent, etc.)</td>
<td>Delisting date</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Designation as Securities to be Delisted</td>
<td>Four business days after designation*5</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Section/market change from 1st section to 2nd section, Mothers or JASDAQ</td>
<td>Date of change*6</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
</tbody>
</table>

*: If the ratio of the free-float adjusted market capitalization of a newly listed company on the TSE 1st Section to the adjusted market value of TOPIX reaches or exceeds 1% on any day during the five business days counting from the initial listing date, the company is included into TOPIX in several phases (The second and subsequent installments will take place on the last business day two months following the previous installment.)

*: For issues newly listing on the 1st section (other than companies formed through consolidation, etc.) or switching from the Mothers market to the 1st section, if the date of inclusion in the TOPIX index falls within a “when-issued transaction” period, the issue will be included in TOPIX on the last business day of the month following the end of the when-issued transaction period.

Note: Stock splits with an allotment date (base date) on or after January 4, 2006 do not have a when-issued transaction period. When-issued transactions may continue to take place for third-party allotments according to the circumstances.

*: 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: Consolidation, acquisition, merger or split (personnel split).

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

*3: Issue is counted amongst constituents from the designation date, but for technical purposes FFW will
be set to 0.00 and the number of shares used for index calculation will be 0 from the designation
date until the adjustment date in order to essentially push back the date that the issue is reflected in
the calculation of TOPIX. For Ex-TOPIX, FFW is set to 1.00 and the issue is reflected in index
calculation from the designation date.

*4: The stock price at the end of trading on the business day before the delisting date is used to calculate
the index for the period from the delisting date to the removal date.

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

*6: Next business day when the date of change falls on a holiday.

② TSE 2nd Section Index, TSE Mothers Index, JASDAQ Index, JASDAQ Index (Standard),
JASDAQ Index (Growth) (“TSE 2nd Section Index etc.” hereafter)

<table>
<thead>
<tr>
<th>Event Requiring Adjustment</th>
<th>Adjustment Date</th>
<th>Stock Price Used for Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>New listings on 2nd section, Mothers, or JASDAQ (direct listing, listing via other exchange)</td>
<td>Last business day of the month following listing</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>New listing of a newly formed company resulting from a corporate consolidation, etc. that results in a 2nd section, Mothers, or JASDAQ constituent being delisted and the new company being included in TSE 2nd Section Index etc. which used to include the delisted company.</td>
<td>New listing date*1</td>
<td>Base price</td>
</tr>
<tr>
<td>Change in listed section/market to 2nd Section from 1st Section, Mothers or JASDAQ markets (TSE 2nd Section Index only)</td>
<td>Date of change*2</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Change in listed market from 1st Section, 2nd Section or Mothers market</td>
<td>Last business day of the month following date of</td>
<td>Stock price at the end of trading on the</td>
</tr>
<tr>
<td>Event Requiring Adjustment</td>
<td>Adjustment Date</td>
<td>Stock Price Used for Adjustment</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>to JASDAQ market (JASDAQ Index, JASDAQ Index (Standard), JASDAQ Index (Growth) only)</td>
<td>change*5</td>
<td>business day before adjustment date</td>
</tr>
<tr>
<td>Change in listed market from 1st Section, 2nd Section or JASDAQ market to Mothers market (TSE Mothers Index only)</td>
<td>Last business day of the month following date of change*5</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Change in listed market to JASDAQ (Standard or Growth)</td>
<td>Date of change*2</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a TSE 2nd Section Index etc. constituent being delisted and the new company being included in TSE 2nd Section Index etc. which used to include the delisted company.</td>
<td>Listing date of the newly formed company (normally two business days following delisting date)</td>
<td>Stock price at the end of trading on the business day before delisting date*4</td>
</tr>
<tr>
<td>Delistings other than those stated above (e.g. mergers/acquisitions between two constituents listed on the same market, non-surviving companies resulting from a merger/acquisition, etc.)</td>
<td>Delisting date</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Designation as Securities to be Delisted</td>
<td>Four business days after designation*3</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Change in listed section/market from 2nd Section to 1st section, Mothers or</td>
<td>Date of change*2</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Event Requiring Adjustment</td>
<td>Adjustment Date</td>
<td>Stock Price Used for Adjustment</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>JASDAQ (TSE 2nd Section Index only)</td>
<td>business day before adjustment date</td>
<td></td>
</tr>
<tr>
<td>Change in listed market from Mothers to 1st Section, 2nd Section or JASDAQ (TSE Mothers Index only)</td>
<td>Date of change*2</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Change in listed market from JASDAQ to 1st Section, 2nd Section or Mothers (JASDAQ Index, JASDAQ Index (Standard), JASDAQ Index (Growth) only)</td>
<td>Date of change*2</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
</tbody>
</table>

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

*2: Next business day when the date of change falls on a holiday.

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

*4: The stock price at the end of trading on the business day before the delisting date is used to calculate the index for the period from the delisting date to the removal date.

*5: Issue is counted amongst constituents from the designation date, but for technical purposes FFW will be set to 0.00 and the number of shares used for index calculation will be 0 from the designation date until the adjustment date in order to essentially push back the date that the issue is reflected in the calculation of TSE Mothers Index, JASDAQ Index, JASDAQ Index (Standard) and JASDAQ Index (Growth).

2) Changes in Number of Shares Used for Index Calculation

<table>
<thead>
<tr>
<th>Event Requiring Adjustment</th>
<th>Adjustment Date*6</th>
<th>Stock Price Used in Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in free-float weight (FFW)</td>
<td>Date of Change</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Event Requiring Adjustment</td>
<td>Adjustment Date*6</td>
<td>Stock Price Used in Adjustment</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>Public offering</td>
<td>Additional listing date (day after payment date)*1</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Third-party allotment</td>
<td>Five business days after additional listing date (two business days after payment date)</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Issues to shareholders with payment</td>
<td>Ex-rights date</td>
<td>Payment price per share</td>
</tr>
<tr>
<td>Exercise of subscription warrants</td>
<td>Last business day of the month following exercise</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Conversion of preferred stock, etc.</td>
<td>Last business day of the month following conversion</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Cancellation of treasury stock</td>
<td>Last business day of the month following cancellation</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Merger/Acquisition</td>
<td>Situations in which a constituent of TSE-calculated indices*2 is the non-surviving entity (mergers/acquisitions between two issues that are both constituents of an index calculated by the TSE)</td>
<td>Delisting date of the non-surviving entity</td>
</tr>
<tr>
<td></td>
<td>Situations other than those</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Event Requiring Adjustment</th>
<th>Adjustment Date*6</th>
<th>Stock Price Used in Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>described above</td>
<td>date)</td>
<td>of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Sale of shares held by the Japanese government (Nippon Telegraph, Telephone and Japan Tobacco and Japan Post Holdings only)</td>
<td>Date determined by TSE*3</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Rights offering (limited to case where the allotted subscription warrant securities are listed) *4</td>
<td>Ex-rights date</td>
<td>Payment price per share</td>
</tr>
<tr>
<td>Company split (merged split)</td>
<td>Listing change date (effective date)</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
<tr>
<td>Other adjustments*5</td>
<td>Last business day of the month in which the information appears in “Sho-ho” (TSE Notice) or the last business day of the following month</td>
<td>Stock price at the end of trading on the business day before adjustment date</td>
</tr>
</tbody>
</table>

*: Since market value does not change when there is a stock price revision made due to a stock split, gratis allotment of shares (limited to case where the allotted treasury stock), reverse split, etc., no adjustment is made to the base value.

*1: Next business day when the change (addition) date falls on a holiday (same applies below)

*2: Constituents of TSE-calculated indices include domestic common shares, domestic preferred equity contribution securities, domestic participating classified stocks, foreign stocks with exclusive listing on the TSE and REITs.

*3: Generally the delivery date

*4: The number of shares for Rights offering used for calculating indices will correspond to the number of shares to be allocated to shareholders. The case where the allotted subscription warrant securities are not listed is treated as “Exercise of subscription warrants”.

*5: 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 splits, paid-in allotment to shareholders,
right offering, etc. is different than the final number of shares determined after the effective date; or revisions
made by listed companies after data has been reflected in index calculation.

3) Data Source

- Information on the reason for base market value adjustments, details on the adjustment, the adjustment date and other data is available through the "Sho-ho" (TSE Notice) published daily by TSE based on reports, etc. made by listed companies. (Please refer to the appendix for information on calculating FFW.)

- If a listed company revises the contents of a previously published report that resulted in an index adjustment, 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)

① Adjustment Method

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

\[
\frac{\text{Previous Business Day Market Value}}{	ext{Pre – Adjustment Base Market Value}} = \frac{(\text{Previous Business Day Market Value} \pm \text{Adjustment Amount})}{\text{New Base Market Value (After Adjustment)}}
\]

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

Therefore,

\[
\text{New Base Market Value} = \frac{\text{Old Base Market Value} \times (\text{Previous Business Day Market Value} \pm \text{Adjustment Amount})}{\text{Previous Business Day Market Value}}
\]

② Adjustment Example

- If, for example, the old base market value is 20 trillion yen and the previous day's market value is 400 trillion yen, TOPIX on the previous day will be:
Now, suppose that Stock A increases the number of listed shares used for index calculation by 100 million shares due to a public offering. If the closing price of the stock 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:

\[
\text{New Base Market Value} = \frac{100 \text{ million shares} \times ¥2,000}{¥20 \text{ tn}} = ¥20.01 \text{ tn}
\]

As illustrated below, if there is no price change in any constituent, the value for TOPIX today is the same as the previous day: 2000 points. Thus, continuity in the index is maintained though adjustments to base market value even if the market value of constituents changes due to public offerings, etc.

(¥400 tn + ¥200 bn)/¥20.01 tn = 2,000 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 in estimated dividend and dividend amount announced in the earnings report, etc.

A) Adjustments Using Estimated Dividends

- The total dividend amount for all constituents is calculated on ex-dividend dates using estimated dividends, and base market value is adjusted as above. In principle, the estimated dividend amount used is as follows:

1. Dividend amount for the current period as announced in timely disclosure documents, if available
2. 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 (1) 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:

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

- 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 × Stock Price Used for Adjustment

B) Minor Adjustment Made 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).

\[
\text{New Base Market Value} = \frac{\text{Old Base Market Value} \times (\text{Previous Business Day Market Value} - \text{Total Dividend Adjustment} \pm \text{Adjustment Amount})}{\text{Previous Business Day Market Value}}
\]

- 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 X Stock Price Used for Adjustment

3) Net Total Return Index
• In addition to the Total Return Index explained above, the TSE also calculates the TOPIX
  Net Total Return Index which reflects the tax rate applied to constituent stock dividends.
• The base market value adjustment to reflect the dividend amount is made at the same time
  as (2). But when calculating the base market value, the "total dividend amount" and the "total
  dividend minor adjustment amount" shall each be multiplied by (1 minus the dividend tax
  rate).
• The tax rate used in calculating the TOPIX Net Total Return Index is withholding tax rate
  for listing shares (except for the local tax) at the adjustment date.

IV. Other
1. Publication/Dissemination of Index Data
  1) Index Values
  • TOPIX and other 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 other
    indices are disseminated every 15 seconds.
  • The TOPIX Total Return Index is calculated daily at market close.
  2) Index Data
  • Index data relating to TSE-calculated Indices (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 TSE-calculated
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