

## Annex 3. Outline of JPX-Nikkei Index 400(Please refer to the guidebook for more details.)

Name	JPX-Nikkei Index 400 Abbrev.: JPX-Nikkei 400
No. of Constituents	400 issues
Eligible Issues	TSE-listed issues (1st Section, 2nd Section, Mothers, JASDAQ)
Constituent Selection/Review Method	<p>Constituent selection and review will be conducted as follows.</p> <p>[Selection Criteria]</p> <p>Constituents are selected according to the following process and criteria.</p> <p>(1) Screening</p> <p>① Screening by Eligibility Criteria</p> <p>Issues are excluded from selection if they fall under any of the following criteria.</p> <ul style="list-style-type: none"> <li>• Listed for under 3 years (excluding technical listings)</li> <li>• Liabilities in excess of assets during any of the past 3 fiscal years</li> <li>• Operating deficit in all of the past 3 fiscal years</li> <li>• Overall deficit in all of the past 3 fiscal years</li> <li>• Designation as Security to be Delisted, etc.</li> </ul> <p>② Screening by Market Liquidity Indicator</p> <p>The top 1000 issues will be selected from those eligible, excluding the above, in consideration of the following 2 items.</p> <ul style="list-style-type: none"> <li>• Trading value during the most recent 3 years</li> <li>• Market capitalization on the base date</li> </ul> <p>(2) Scoring based on Quantitative Indicators</p> <p>The 1,000 issues selected in (1) will be scored according to the ranking of the following 3 items. (1<sup>st</sup>: 1000 points – 1000<sup>th</sup>: 1 point). Then, overall score is determined by aggregating those ranking scores with the following weights. (There are handling rules for the overall scoring with negative ROE and operating profit.)</p> <ul style="list-style-type: none"> <li>• 3-year average ROE: 40%</li> <li>• 3-year cumulative operating profit: 40%</li> <li>• Market capitalization on the base date: 20%</li> </ul>

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	<p>(3) Scoring based on Qualitative Factors</p> <p>Following the scoring in (2), issues will be further scored based on the following 3 items. This score is complementarily added to the quantitative scores explained above (2)*.</p> <ul style="list-style-type: none"> <li>• Appointment of Independent Outside Directors (at least 2)</li> <li>• Adoption or Scheduled Adoption of IFRS (pure IFRS)</li> <li>• Disclosure of English Earnings Information via TDnet (Company Announcements Distribution Service in English)</li> </ul> <p>* The score is determined so that at most around 10 constituents are different from those chosen with only quantitative score above (2).</p> <p>(4) Determination of Constituents</p> <p>Following scoring in (3), the 400 issues will be selected in descending order of high scores as constituents.</p> <p>[Buffer Rule]</p> <p>There is a preferential rule for previous year constituents.</p> <p>Constituents selected in the previous year will be selected as long as their scores are ranked within the top 440.</p> <p>[Constituent Review]</p> <p>A constituent review will be conducted on the last business day of August each year with the last business day of June as the base date. (The result of the constituent review will be announced on the 5<sup>th</sup> business day of August)</p>
Calculation Method	Free-float adjusted market capitalization-weighted (with 1.5% cap)
Start of Calculation	<p>January 6, 2014 (Mon.)</p> <p>Real-time dissemination (per 1 sec.) of the index via Tokyo Stock Exchange's Market Information System</p>
Base Date/Value	August 30, 2013 / 10,000 points