

**Results of Index Consultation on Revisions of Guidebooks for JPX-Nikkei Index 400
and JPX-Nikkei Mid and Small Cap Index**

Tokyo Stock Exchange, Inc. and Nikkei Inc. (hereinafter collectively referred to as the "Index Providers") recently conducted an Index Consultation on revisions of Guidebooks for the JPX-Nikkei Index 400 and JPX-Nikkei Mid and Small Cap Index (hereinafter collectively referred to as the "JPX-Nikkei Indices").

An outline of the opinions gathered through the Index Consultation and the Index Providers' responses are as follows:

1. Outline of opinions gathered and Index Providers' responses

These revisions aim to further strengthen the concept of the JPX-Nikkei Indices, which is indices that are composed of "companies with high appeal for investors."

We received multiple opinions through the Index Consultation, and all of them agreed with the purpose of the revisions.

On the other hand, regarding the proposals on changes to the process for deciding the ranking of final scores, we received multiple opinions that the current criteria of "3-year average ROE and most recent ROE is negative shall be ranked lowest" should be kept and the new criteria should be added to it. Based on the above circumstances, as the Index Providers, we revised the previous proposal and reopened the Index Consultation, as a result of which we received multiple opinions which agreed with the revised proposal.

In addition, we received multiple opinions regarding the addition of new data points for calculating qualitative scores, including one which suggested the introduction of criteria to enable evaluation of whether disclosure is useful for dialogue with investors or other purposes, as the data points currently used for the qualitative score are limited to those disclosed by many companies. As the Index Providers, we think objective judgments based on common rules for all issues and the stable acquisition of data are necessary for index periodic review criteria. We will continue to consider any suggestions which meet this requirement.

Based on the above considerations, the Index Providers have decided to revise the Guidebooks for the JPX-Nikkei Indices in accordance with the contents of the proposal presented in this Index Consultation (including the reopened consultation).

The Index Providers will continue to improve the JPX-Nikkei Indices while taking into consideration the opinions gathered through this consultation.

(Reference Translation)

2. Final Revisions (revisions as of the reopened consultation are in red)

(1) "JPX-Nikkei Index 400" revision details

(a) Process for deciding the ranking of final scores

The process for deciding the ranking of final scores will be revised as follows:

Item to be revised	Current	After revisions
III. JPX Nikkei Index 400 Constituent Selection 1. (2) ⑥	Ranking of final scores shall be made from highest to lowest. However, issues whose 3-year average ROE and most recent ROE <u>is negative</u> or whose 3-year cumulative operating profit is negative shall be ranked lowest. In cases of issues with the same final score, ranking preference shall be given to the issue with the higher ④(c) market capitalization on the base date ranking score.	Ranking of final scores shall be made from highest to lowest. However, issues whose 3-year average ROE and most recent ROE <u>are both in the bottom 10% of the issues in ③ above or negative</u> , or whose 3-year cumulative operating profit is negative shall be ranked lowest. In cases of issues with the same final score, priority shall be given to the issue with the higher ④ (c) market capitalization on the base date ranking score.

(b) Revisions of the selection procedure for additional issues in the periodic review

The selection procedure for additional issues in a periodic review will be revised as follows:

Item to be revised	Current	After revisions
III. JPX Nikkei Index 400 Constituent Selection 1. (2) ⑦(b) iii.	If the number of selected issues falls below 400 in the preceding paragraph ii., then the non-selected top ranking 400 issues <u>according to the rankings in ⑥ above</u> shall be selected until the number of constituents reaches 400.	If the number of selected issues falls below 400 in the preceding paragraph ii., then the non-selected top ranking 400 issues <u>in ⑥ shall be selected according to the rankings of 3-year average ROE</u> until the number of constituents reaches 400.

(c) Matters used for determining qualitative scores

"Appointment of independent outside directors", which is an item used for determining qualitative scores, will be revised as follows:

Item to be revised	Current	After revisions
III. JPX Nikkei Index 400 Constituent Selection 1. (2) ⑤	Item: Appointment of independent outside directors	Item: Appointment of independent outside directors <u>and female corporate officers</u>

(Reference Translation)

Item to be revised	Current	After revisions
	<p>Criteria: Out of the total number of directors, <u>at least one-third or a minimum of three directors</u> are appointed as independent outside directors. <u>If one-third of the total number of directors is less than two, at least two independent outside directors are appointed</u></p> <p>Reference Material: Corporate Governance Report</p>	<p>Criteria: - Out of the total number of directors, <u>a majority are appointed</u> as independent outside directors. - <u>Out of the corporate officers, at least one female corporate officer is appointed based on information in "members of the board and executive officers" of the securities report</u></p> <p>Reference Material: Corporate Governance Report <u>and Securities Report</u></p>

(d) Data pertaining to matters for calculating qualitative scores

Data pertaining to matters for calculating qualitative scores will be revised as follows:

Item to be revised	Current	After revisions
<p>III. JPX Nikkei Index 400 Constituent Selection 4. (2) ③</p>	<p>- Newly created</p>	<p>③ <u>"Securities Report"</u> - <u>For appointment status of female corporate officers, information in "members of the board and executive officers" of the securities report will be used.</u></p>

(e) Eligible constituents

Eligible constituents will be revised as follows, in response to revisions of market segments.

Item to be revised	Current	After revisions
<p>I. Outline of the Index</p>	<p>JPX-Nikkei 400 is composed of common stocks whose main market is the TSE <u>1st Section, 2nd Section, Mothers, or JASDAQ market</u> (In addition, the Index Provider may include equivalent issues whose inclusion it deemed is particularly</p>	<p>JPX-Nikkei 400 is composed of common stocks whose main market is the TSE <u>Prime Market, Standard Market or Growth Market</u> (In addition, the Index Provider may include equivalent issues whose inclusion it deemed is particularly necessary.).</p>

(Reference Translation)

Item to be revised	Current	After revisions
	necessary.). Constituents shall be selected by the Index Provider based on market capitalization, trading value, ROE, and other factors. Please refer to III. JPX-Nikkei Index 400 Constituent Selection for more details.	Constituents shall be selected by the Index Provider based on market capitalization, trading value, ROE, and other factors. Please refer to III. JPX-Nikkei Index 400 Constituent Selection for more details.
III. JPX-Nikkei Index 400 Constituent Selection 1. (2) ①i	i. Common stocks Common stocks whose main market is the TSE <u>1st Section, 2nd Section, Mothers, or JASDAQ market</u> on the base date (for dual-listed foreign stocks, as a general rule, only when their trading value at TSE in the most recent year from the base date is greater than that on their other listed exchanges) are regarded as eligible constituents.	i. Common stocks Common stocks whose main market is the TSE <u>Prime Market, Standard Market or Growth Market</u> on the base date (for dual-listed foreign stocks, as a general rule, only when their trading value at TSE in the most recent year from the base date is greater than that on their other listed exchanges) are regarded as eligible constituents.

*Please note that the constituents of JPX-Nikkei Index 400 will not be reviewed due to revisions of the market segments.

(2) Revision details for "JPX-Nikkei Mid and Small Cap Index"

(a) Process for deciding the ranking of final scores

The process for deciding the ranking of final scores will be revised in the same way as for JPX-Nikkei Index 400.

Item to be revised	Current	After revisions
III. JPX-Nikkei Mid and Small Cap Index Constituent Selection 1.(2) ⑦	Ranking of final scores shall be made from highest to lowest. However, issues whose 3-year average ROE and most recent ROE <u>is negative</u> or whose 3-year cumulative operating profit is negative shall be ranked lowest. In cases of issues with the same final score, ranking preference shall be given to the issue with the higher "⑤ (a) 3-year average ROE ranking".	Ranking of final scores shall be made from highest to lowest. However, issues whose 3-year average ROE and most recent ROE <u>are both in the bottom 10% of the issues in ④ above or negative,</u> or whose 3-year cumulative operating profit is negative shall be ranked lowest. In cases of issues with the same final score, ranking preference shall be given to the issue with the higher "⑤(a) 3-year average ROE ranking".

(Reference Translation)

(b) Revisions of the selection procedure for additional issues in the periodic review

The selection procedure for additional issues in the periodic review will be revised in the same way as for JPX-Nikkei Index 400.

Item to be revised	Current	After revisions
III. JPX-Nikkei Mid and Small Cap Index Constituent Selection 1.(2)⑧(b)iii.	If the number of selected issues falls below 200 in the preceding paragraph ii., then the non-selected top ranking 200 issues <u>according to the rankings in ⑦ above shall be selected</u> until the number of constituents reaches 200.	If the number of selected issues falls below 200 in the preceding paragraph ii., then the non-selected top ranking 200 issues <u>in ⑦ shall be selected according to the rankings of 3-year average ROE</u> until the number of constituents reaches 200.

(c) Matters used for determining qualitative scores

"Appointment of independent outside directors", which is an item used for determining qualitative scores, will be revised in the same way as for JPX-Nikkei Index 400.

Item to be revised	Current	After revisions
III. JPX-Nikkei Mid and Small Cap Index Constituent Selection 1.(2) ⑥	Item: Appointment of independent outside directors Criteria: Out of the total number of directors, <u>at least one-third or a minimum of three directors are appointed as independent outside directors. If one-third of the total number of directors is less than two, at least two independent outside directors are appointed.</u> Reference Material: Corporate Governance Report	Item: Appointment of independent outside directors <u>and female corporate officers</u> Criteria: - Out of the total number of directors, <u>a majority are appointed as independent outside directors.</u> - <u>Out of the corporate officers, at least one female corporate officer is appointed based on information in "members of the board and executive officers" of the securities report.</u> Reference Material: Corporate Governance Report <u>and Securities Report</u>

(d) Data used for calculating qualitative scores

Data pertaining to matters for calculating qualitative scores will be revised in the

(Reference Translation)

same way as for JPX-Nikkei Index 400.

Item to be revised	Current	After revisions
III. JPX-Nikkei Mid and Small Cap Index Constituent Selection 4.(2) ③	- Newly created	③ " <u>Securities Report</u> " For <u>appointment status of female corporate officers, information in "members of the board and executive officers" of the securities report will be used.</u>

(e) Eligible constituents

In response to revisions of the market segments, eligible constituents will be revised in the same way as for JPX-Nikkei Index 400, as shown below:

Item to be revised	Current	After revisions
I. Outline of the Index	JPX-Nikkei Mid Small is composed of common stocks whose main market is the TSE <u>1st Section, 2nd Section, Mothers, or JASDAQ market</u> (In addition, the Index Provider may include equivalent issues whose inclusion it deemed is particularly necessary.). Constituents shall be selected by the Index Provider based on market capitalization, trading value, ROE and other factors. Please refer to III. JPX-Nikkei Mid Small Constituent Selection for more details.	JPX-Nikkei Mid Small is composed of common stocks whose main market is the TSE <u>Prime Market, Standard Market or Growth Market</u> (In addition, the Index Provider may include equivalent issues whose inclusion it deemed is particularly necessary.). Constituents shall be selected by the Index Provider based on market capitalization, trading value, ROE and other factors. Please refer to III. JPX-Nikkei Mid Small Constituent Selection for more details.
III. JPX-Nikkei Mid and Small Cap Index Constituent Selection 1.(2)①i	i. Common stocks Common stocks whose main market is the TSE <u>1st Section, 2nd Section, Mothers, or JASDAQ market</u> on the base date (for dual-listed foreign stocks, as a general rule, only when their trading value at TSE in the most recent year from the base date is greater than that on their other listed exchanges) are regarded as eligible constituents.	i. Common stocks Common stocks whose main market is the TSE <u>Prime Market, Standard Market or Growth Market</u> on the base date (for dual-listed foreign stocks, as a general rule, only when their trading value at TSE in the most recent year from the base date is greater than that on their other listed exchanges) are regarded as eligible constituents.

(Reference Translation)

*Please note that the constituents of JPX-Nikkei Mid and Small Cap Index will not be reviewed due to revisions of the market segments.

(3) Other required revisions

In line with the revision of the calculation methodology for free-float ratio used in TSE indices, that for the JPX-Nikkei Indices, which use the same methodology, will also be revised.

(Reference: Revisions of TOPIX and Other Indices)

<https://www.jpx.co.jp/english/markets/indices/governance/index-consultation/20201225-01.html>

3. Implementation Date

The revisions shown in "(e) Eligible constituents - I. Outline of the Index" of sections (1) and (2) and in "(3) Other required revisions" will be implemented on April 4, 2022, while other revisions will be implemented in the periodic reviews from August 2022 onwards.