

Overview of Revisions of TOPIX and Other Indices

JPX Market Innovation & Research, Inc.

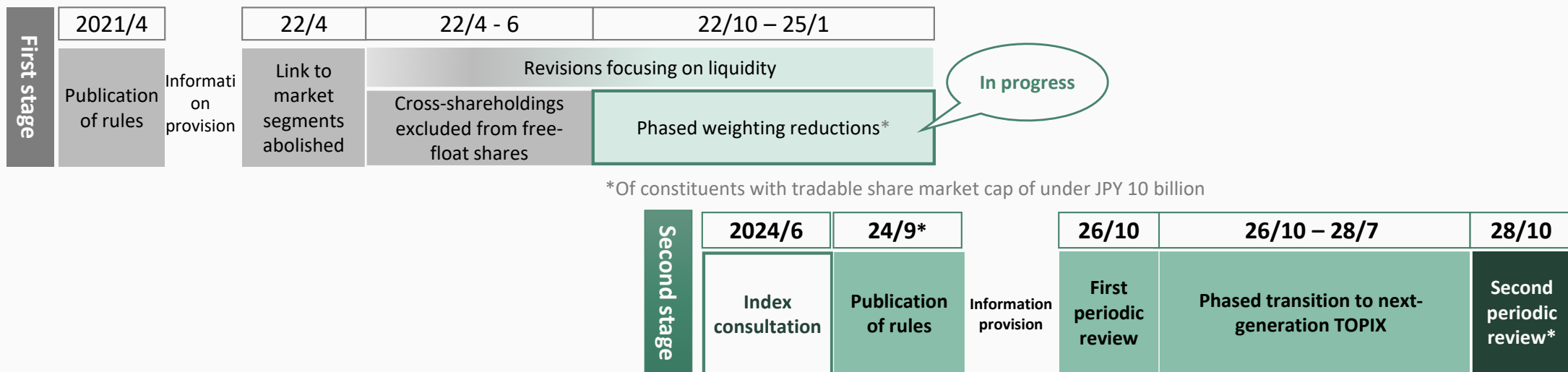
June 19, 2024



Background

- TOPIX (calculated from 1969) is widely used both in Japan and overseas as a market average benchmark for the overall Japanese market.
- The revisions currently in progress, using the opportunity provided by TSE's market restructuring in April 2022 to enhance TOPIX's functionality as an investable index (the first stage of revisions), are set to be completed in January 2025.
- Following this, a second stage of revisions will commence **to further enhance TOPIX's broad coverage and its functionality as an investable index.** **While ensuring the index's continuity,** the second stage of revisions will take into account the large amount of assets that are linked to TOPIX (over JPY 83 trillion (as of March 2023)) and its wide usage. **Periodic reviews of issues in all market segments (Prime Market, Standard Market, and Growth Market)** will be conducted **with a greater emphasis on liquidity.**
- As in the first stage of revisions, **the transition will be conducted in phases and sufficient time will be ensured for public awareness and transitioning** in order to smoothly transition to the next-generation TOPIX and mitigate the impact on the market.

Overall flow of TOPIX revisions:



*Of constituents with tradable share market cap of under JPY 10 billion

*Around the end of 24/9

*To be conducted annually from this point

(Ref.) Related changes to listing rules

▲ Restructuring of market segments (2022/4)

▲ Request for management that is conscious of cost of capital, etc. (2023/3)

▲ End of improvement period for March FY-end companies subject to market restructuring transition measures (2026/3)

Next-Generation TOPIX (Main Changes)

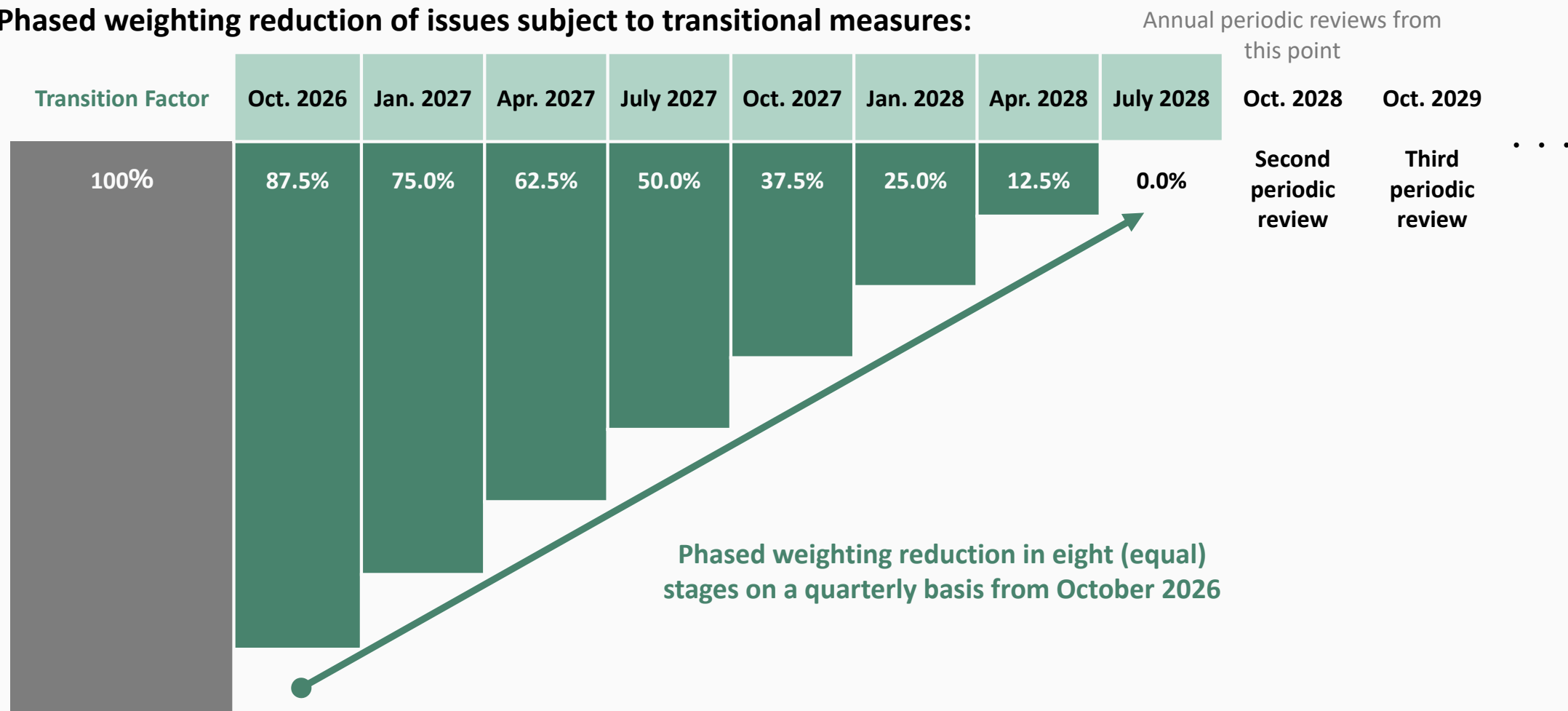
	Current TOPIX	Next-Gen TOPIX									
Eligible Markets	Prime Market (Companies that were constituents at the time of the market restructuring and chose the Standard Market or Growth Market are included.)	Prime Market, Standard Market, and Growth Market									
Periodic Review	None	Annually, on the last business day of October (base date: last business day of August)									
Selection Criteria	None (Phased weighting reductions of constituents which had a tradable share market capitalization of under JPY 10 billion at the time of the market etc. are in progress)	<ul style="list-style-type: none"> Periodic review of constituents based on the following liquidity criteria <table border="1" data-bbox="1037 683 2063 1005"> <thead> <tr> <th>Indicator</th> <th>Inclusion Criteria</th> <th>Continuation Criteria*</th> </tr> </thead> <tbody> <tr> <td>Annual Traded Value Ratio</td> <td>0.2 or more</td> <td>0.14 or more</td> </tr> <tr> <td>Percentage of Cumulative Free-Float Adjusted Market Capitalization</td> <td>In the top 96%</td> <td>In the top 97%</td> </tr> </tbody> </table> The inclusion criteria will be applied to issues that are not TOPIX constituents. The continuation criteria will be applied to issues that are TOPIX constituents. <p>* Continuation criteria (buffer rules) will be adopted in order to ensure index stability and investment efficiency</p>	Indicator	Inclusion Criteria	Continuation Criteria*	Annual Traded Value Ratio	0.2 or more	0.14 or more	Percentage of Cumulative Free-Float Adjusted Market Capitalization	In the top 96%	In the top 97%
Indicator	Inclusion Criteria	Continuation Criteria*									
Annual Traded Value Ratio	0.2 or more	0.14 or more									
Percentage of Cumulative Free-Float Adjusted Market Capitalization	In the top 96%	In the top 97%									
Non-periodic Inclusion	New listings on or segment transfers to the Prime Market	New listings on the Prime, Standard, and Growth Markets whose free-float adjusted market capitalization exceeds the minimum for issues with a percentage of cumulative free-float adjusted market capitalization in the top 95%									

- There are no changes to non-periodic removals (Delistings, Securities to be Delisted, Securities on Special Alert) or the weight cap (10%).
- For the annual traded value ratio, the sum of the monthly traded value ratios for the previous 12 months including the month containing the base date for the periodic review will be used. The monthly traded value ratio is defined as "(the median daily traded value in TSE's trading sessions for the month x the number of business days in the month) / free-float adjusted market capitalization on the last business day of the month."
- Percentage of cumulative free-float adjusted market capitalization is defined as "the cumulative free-float adjusted market capitalization of the issues starting with the largest free-float adjusted market capitalization in the group of issues that meet the criteria for the annual traded value ratio and that are not Securities to be Delisted or Securities on Special Alert / the total free-float adjusted market capitalization of said group of issues."

Transitional Measures to Next-Gen TOPIX

- To ensure a smooth transition to the next-generation TOPIX and to mitigate the impact on the market, JPXI will provide sufficient time for public awareness and transitioning, and perform the transition in phases.
 - ✓ The first periodic review will be in October 2026 and the second will be in October 2028.
 - ✓ Issues that are no longer selected as constituents after the first periodic review (issues subject to transitional measures) will have their weightings reduced in eight stages on a quarterly basis (see below).

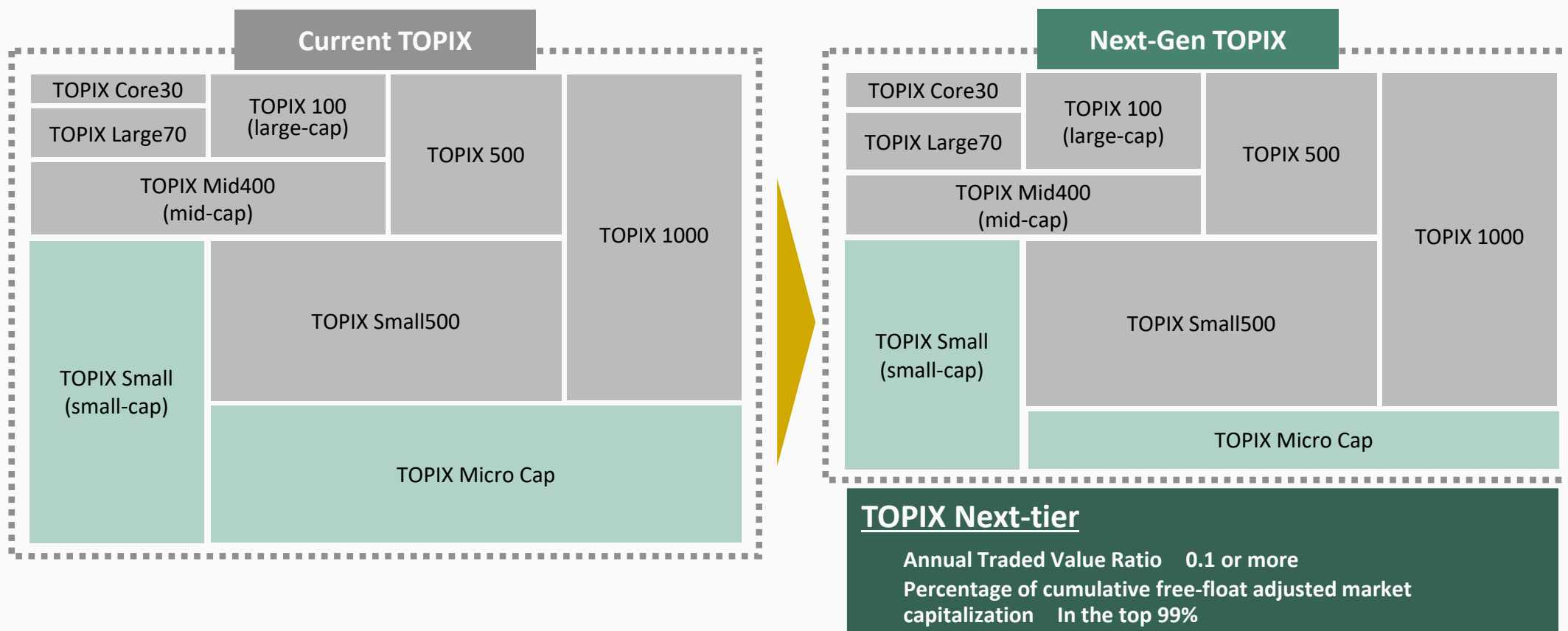
Phased weighting reduction of issues subject to transitional measures:



Other Revisions

Launch of "TOPIX Next-tier"

- Coinciding with the first TOPIX periodic review (October 2026), JPXI will launch a new "**TOPIX Next-tier**" composed of issues not selected for TOPIX (including those subject to transitional measures) which have a certain level of liquidity.



Revision of Tokyo Stock Exchange Growth Market 250 Index

Current		Planned revision
Constituents	Top 250 Growth Market issues by market capitalization	
Handling of TOPIX constituents	Excluded from selection	Eligible for selection (overlap with TOPIX possible)