

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

JPX Market Innovation & Research, Inc. and Nikkei Inc. (hereinafter collectively referred to as the "Index Providers") recently conducted an Index Consultation on the proposed revisions to the guidebooks for the JPX-Nikkei Index 400 and the JPX-Nikkei Mid and Small Cap Index (hereinafter collectively referred to as the "JPX-Nikkei Indices") from March 31 to April 30 of 2025.

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

### **1. Outline of Opinions Gathered and Index Providers' Responses**

This revision aims to further enhance the concept of the JPX-Nikkei Indices by referring to a numerical indicator that quantifies corporate reputation risk as one of the criteria for excluding stocks from the pool of eligible constituents during periodic reviews.

Index Providers received multiple opinions throughout the Index Consultation, and most of them favored the revision with no opposing opinion.

We have received feedback suggesting that excluding issues exceeding the criteria from the pool of eligible constituents solely at periodic reviews might be mistimed. However, the Index Providers consider that applying the same treatment as issues subject to public announcement measures is appropriate primarily in order to maintain index stability. In response to feedback requesting more information during index consultations, we will consider providing data that can serve as a basis for judgment in future consultations. If the revised criteria had been applied from the commencement of calculation, we have confirmed that only a few stocks would have been excluded from the index universe since 2014.

Based on the above, as proposed in the Index Consultation, Index Providers will revise the guidebooks for the JPX-Nikkei Indices.

### **2. Final Revision**

The criteria for excluding issues from the index universe during periodic reviews will be

revised as follows:

Item to be revised #1	After revisions	Current
III. JPX-Nikkei Index 400 Constituent Selection 1. (2) ii. (i)	(i) Falling under any of the following within 1 year from the base date where the reason is significant  (i) Subject to public announcement measures (ii) Requested to submit an improvement report for public inspection (including cases of resubmission) (iii) Subject to payment of listing agreement violation penalty <u>(iv) The RRI indicator provided by RepRisk is equal to or above 75</u>	(i) Falling under any of the following within 1 year from the base date where the reason is significant  (i) Subject to public announcement measures (ii) Requested to submit an improvement report for public inspection (including cases of resubmission) (iii) Subject to payment of listing agreement violation penalty
III. JPX-Nikkei Mid and Small Cap Index Constituent Selection 1. (2) ii. (i)		

Item to be revised #2	After revisions	Current
III. JPX-Nikkei Index 400 Constituent Selection 4. (3)	<u>(3) Others</u> <u>(a) RRI</u> • <u>The RepRisk Index (RRI) indicator provided by RepRisk* in one year up to the base date shall be used.</u> • <u>In cases where the RRI indicator as of the relevant time or during the relevant time period is not available, no issues are removed from the pool of eligible constituents based on this indicator.</u>	(New)
III. JPX-Nikkei Mid and Small Cap Index Constituent Selection 4. (3)	<u>(*) Switzerland-based RepRisk assigns a daily RRI to each company that captures and quantifies a company's reputational risk exposure by analyzing various sources, including news articles. The RRI ranges from zero to 100, and a company is defined as extremely</u>	

	<u>high risk if its RRI is equal to or above 75.</u>	
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**3.Implementation Date (tentative)**

This revision will be implemented from the periodic review scheduled for August 2025.