

Revisions of the Guidebooks for “JPX-Nikkei Index 400” and “JPX-Nikkei Mid and Small Cap Index”

The guidebooks for “JPX-Nikkei Index 400” and “JPX-Nikkei Mid and Small Cap Index”, which are jointly calculated by Tokyo Stock Exchange, Inc. and Nikkei Inc., have been revised as summarized below to clarify the definitions in the methodologies.

1. Key changes

- (1) Revised the data period used for determining qualitative scores and added a description thereof
 - Table in III.1.(2)⑤ (For JPX-Nikkei Mid Small, table in III.1.(2)⑥)
 - III.4.(2)① and ②

- (2) Clarified criteria for exclusion from the pool of eligible constituents in the periodic review
 - III.1.(2)②(c)
 - III.4.(1)①

- (3) Added a description about the financial data
 - III.4.(1)② and ③

- (4) Revised the date for adjusting base market value following the shortening of stock settlement cycle to T+2
 - Table in IV.1.(1)

* For details, please see the attached table comparing new and old versions.

2. Revision Date

December 18, 2019

(The revision regarding 1.(4) above will go into effect on the date of the revision and the revisions regarding 1.(1), (2) and (3) above will go into effect on the next periodic review in August 2020 respectively.)

Appendix: Changes to the Guidebook

(1) Revised the data period used for determining qualitative scores and added a description thereof

After amendment			Old		
III. JPX-Nikkei Index 400 Constituent Selection 1.Initial Selection and Periodic Review (2) JPX-Nikkei 400 Selection Criteria Table ⑤ (For JPX-Nikkei Mid and Small Cap Index, Table ⑥)			III. JPX-Nikkei Index 400 Constituent Selection 1.Initial Selection and Periodic Review (2) JPX-Nikkei 400 Selection Criteria Table ⑤ (For JPX-Nikkei Mid and Small Cap Index, Table ⑥)		
Item	Criteria	Reference Material	Item	Criteria	Reference Material
Appointment of independent outside directors	Out of the total number of directors, 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.	Corporate Governance Report	Appointment of independent outside directors	Out of the total number of directors, at least one-third or a minimum of three directors are appointed as independent outside directors <u>on the base date</u> . If one-third of the total number of directors is less than two, at least two independent outside directors are appointed.	Corporate Governance Report
Adoption of IFRS	Creation of the earnings report according to international financial reporting standards (IFRS), or disclosure of applying IFRS	TDnet	Adoption of IFRS	Creation of the <u>most recent</u> earnings report according to international financial reporting standards (IFRS), or disclosure of applying IFRS <u>at the time of the base date</u>	TDnet
Disclosure of English earnings information and/or Corporate Governance Report	English documents regarding the earnings information and/or Corporate Governance Report are disclosed via TDnet (Company Announcements Distribution Service in English)	TDnet	Disclosure of English earnings information and/or Corporate Governance Report	English documents regarding the <u>most recent</u> earnings information and/or Corporate Governance Report are disclosed via TDnet (Company Announcements Distribution Service in English) <u>at the time of the base date</u>	TDnet

After amendment	Old
<p>III. JPX-Nikkei Index 400 Constituent Selection</p> <p>4. Handling of Data used for Selection</p> <p>(2) Data pertaining to matters for calculating qualitative score</p> <p>① Corporate Governance Reports</p> <p>The most recent Corporate Governance Report submitted by the 10th business day of July following the base date, after <u>the end date of the most recent fiscal year</u> of those in (1)① above shall be used (in cases where no report was submitted during such period, <u>no qualitative score will be given pertaining to the appointment of independent outside directors</u>).</p> <p>② TDnet</p> <ul style="list-style-type: none"> • <u>The qualitative score for "Adoption of IFRS" shall be determined using information registered at the time of the base date.</u> • <u>The qualitative score for "Disclosure of English earnings information" will be determined using information registered by the end of the 3rd month after the end date of the most recent fiscal year of those in (1)① above.</u> • <u>The qualitative score of "Disclosure of English Corporate Governance Report" will be determined using information registered in the past one year before the base date.</u> • <u>In cases where no information is registered as of the relevant time or during the relevant time period, no qualitative score will be given for the item in question.</u> 	<p>III. JPX-Nikkei Index 400 Constituent Selection</p> <p>4. Handling of Data used for Selection</p> <p>(2) Data pertaining to matters for calculating qualitative score</p> <p>① Corporate Governance Reports</p> <p>The most recent Corporate Governance Report submitted by the 10th business day of July following the base date, after <u>the general shareholders meeting pertaining to the most recent fiscal year</u> of those in (1)① above shall be used (in cases where no report was submitted during such period, <u>the qualitative scoring in III.1.(2)⑤ will not occur</u>).</p> <p>② TDnet</p> <p><u>Information registered at the time of the base date shall be used.</u></p>

(2) Clarified criteria for exclusion from the pool of eligible constituents in the periodic review

After amendment	Current
<p>III. JPX-Nikkei Index 400 Constituent Selection</p> <p>1. Initial Selection and Periodic Review</p> <p>(2) JPX-Nikkei 400 Selection Criteria</p> <p>② Issues which fall under any of the following items shall be removed from the pool of eligible constituents.</p> <p>(c) Liabilities in excess of assets <u>at the beginning or end of</u> any of the periods in 4.(1)① below.</p>	<p>III. JPX-Nikkei Index 400 Constituent Selection</p> <p>1. Initial Selection and Periodic Review</p> <p>(2) JPX-Nikkei 400 Selection Criteria</p> <p>② Issues which fall under any of the following items shall be removed from the pool of eligible constituents.</p> <p>(c) Liabilities in excess of assets during any of the periods in 4.(1)① below.</p>
<p>III. JPX-Nikkei Index 400 Constituent Selection</p> <p>4.Handling of Data used for Selection</p> <p>(1) Financial Data</p> <p>① General Rules pertaining to Financial Data (omitted)</p> <ul style="list-style-type: none"> • <u>The figures as of the end of the previous fiscal year shall be used as those for the beginning of the target fiscal year.</u> 	<p>III. JPX-Nikkei Index 400 Constituent Selection</p> <p>4.Handling of Data used for Selection</p> <p>(1) Financial Data</p> <p>① General Rules pertaining to Financial Data (omitted)</p>

(3) Added a description about the financial data

After amendment	Current
<p>III. JPX-Nikkei Index 400 Constituent Selection</p> <p>4.Handling of Data used for Selection</p> <p>(1) Financial Data</p> <p>② 3-year average ROE</p> <p><i>(omitted)</i></p> <p><u>• In cases where the number of months included in the fiscal years referred to in (1)① above exceeds or falls below 36 due to an irregular accounting period, related figures shall be adjusted to be equivalent to those for a 36-month period.</u></p> <p>③3-year cumulative operating profit</p> <p><i>(omitted)</i></p> <p><u>• In cases where the number of months included in the fiscal years referred to in (1)① above exceeds or falls below 36 due to an irregular accounting period, related figures shall be adjusted to be equivalent to those for a 36-month period.</u></p>	<p>III. JPX-Nikkei Index 400 Constituent Selection</p> <p>4.Handling of Data used for Selection</p> <p>(1) Financial Data</p> <p>② 3-year average ROE</p> <p><i>(omitted)</i></p> <p>③3-year cumulative operating profit</p> <p><i>(omitted)</i></p>

(4) Revised the date for adjusting base market value following the shortening of stock settlement cycle to T+2

After amendment				Current			
IV. Adjustments to Base Market Value				IV. Adjustments to Base Market Value			
1. Events that Require Adjustment				1. Events that Require Adjustment			
(1) Inclusion or Removal of Constituents				(1) Inclusion or Removal of Constituents			
A part of table				A part of table			
	Event Requiring Adjustment		Adjustment Date		Event Requiring Adjustment		Adjustment Date
Removal	Delisting	New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a JPX-Nikkei 400 constituent being delisted and the new company being included in JPX-Nikkei 400	New listing date of the newly formed company (normally two business days following delisting date)	Removal	Delisting	New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a JPX-Nikkei 400 constituent being delisted and the new company being included in JPX-Nikkei 400	New listing date of the newly formed company (normally three business days following delisting date)

Note) The items above are based on the guidebook of JPX-Nikkei Index 400. In cases of differences for the JPX-Nikkei Mid and Small Cap Index, these are made clear.