

(Reference Translation)

Tokyo Stock Exchange Index Guidebook (JASDAQ-TOP20)

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Tokyo Stock Exchange, Inc.

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Record of Changes

DATE	Changes
2013/8/13	Added adjustment rule for "Rights Offering"
2018/7/23	Partially clarified the description of selection process for the periodic review
2019/8/30	Clarified the calculation period of trading value for "2 Selection of Issues"
2020/3/31	Modification of the "IV. Miscellaneous"
2020/12/25	Clarification of the stock price used for calculation, etc.

Introduction

- Tokyo Stock Exchange, Inc. (hereafter "TSE") calculates JASDAQ-TOP20, as a general rule, in accordance with the methods described in this document. If an event not specified in this document occurs or if TSE determines that it is impossible to calculate the index using the methods described in this document, TSE may use an alternative method of index calculation as it deems appropriate.
- Copyright of this document is owned by TSE and any copies, reproductions, and reprints of this document in whole or in part are prohibited in any form without the prior approval of TSE. This document is prepared solely for the understanding of how JASDAQ-TOP 20 is calculated and published by TSE and is not to be construed as a solicitation for trading any securities or related financial instruments, etc. TSE shall accept no liability or responsibility for any loss or damage arising from errors, delays, or termination of the calculation or publication of JASDAQ-TOP20, changes to its calculation or publication method, the use of JASDAQ-TOP20 or all or any part of this document, or other similar events.
- TSE only calculates a price version of the JASDAQ-TOP20 index.

I. JASDAQ-TOP20 Overview

- JASDAQ-TOP20 is composed of the leading 20 issues on the JASDAQ market, chosen based on a variety of factors, including liquidity and market capitalization. (There are times when the index may have fewer than 20 constituent issues due to delisting, etc.)
- Calculation began on October 12, 2010.

II. Index Calculation

1. Outline

- JASDAQ-TOP20 is calculated by dividing the total of all constituents' per-trading-unit stock prices by an adjusted divisor. The index is denominated in yen and is calculated to the second decimal place (values beyond the second decimal are rounded).

2. Formula

$$\text{Index} = \frac{\text{Total Constituent Stock Price}}{\text{Divisor}}$$

$$* \text{ Stock Price Used for Index} = \text{Stock Price} \times \text{Adjusted Stock Price Ratio}$$

3. Stock Price Used for Calculation

- The stock prices used for calculating and adjusting divisors for JASDAQ-TOP20 are prices from auction trading on TSE and are determined by the following order of priority:

(1) Special Quote or Sequential Trade Quote, (2) Contract Price, (3) Base Price for Index Calculation when neither (1) or (2) are available (determined in the following order: (1) Theoretical Ex-rights Price, (2) Most Recent Special Quote or Sequential Trade Quote on or before the previous trading day, (3) Most Recent Contract Price before the previous trading day.)

4. Addition or Removal of Constituents

- The addition or removal of constituents is, as a general rule, limited to the following cases and periodic review of constituents will not be conducted.

Removal of Constituents

- When a constituent is to be transferred to the 1st or 2nd Section, or Mothers, such issue shall be included in calculations from the date of such transfer until the day before the periodic selection day during the following year and shall be removed on the final business day of October during such year.
- When a constituent will be delisted, such issue shall be removed on the delisting date. However, when a constituent is delisted due to stock transfer and the newly created company is newly listed, the newly created company shall be included in index calculations.
- When a constituent is designated as Security to Be Delisted, such issue will be removed after the fourth business day following the day of such designation.

Addition of Constituents

a. Outline

- If the number of constituents drops below 20 due to market section-transfer, delisting, etc., constituents shall be added on the final business day of October until the number of constituents reaches 20 based on the criteria for adding constituents in consideration of factors such as market capitalization, liquidity, operating income, and dividends.
- Issues to be added shall be published on the fifth business day of October.
- The base date for additional issues shall be the final business day of August.

b. Criteria for Adding Constituents

The selection process shall be conducted as follows.

1 Eligible Issues

Issues listed on JASDAQ as of the base date, excluding issues to be designated as Securities to be Delisted, delisted, and transferred to another market section (only from JASDAQ)

2 Selection of Issues

TSE creates a rank table based on the following (i) to (iii) and ranks issues in ascending order according to the total points for each item. If the number of points is the same, issues with a smaller number of points for (i) are ranked higher. If multiple issues have the same number of points for a certain item(s), they are ranked higher.

- (i) Issues are given the number of points corresponding to the descending order of trading value in the JASDAQ market during the past 6 months counting from the base date (hereafter the "Calculation Period") (trading value is from auction trading. The same shall apply hereinafter).
- (ii) An issue(s) is ranked as number one (given one point) if its (their) average daily trading value in the JASDAQ market during the Calculation Period is at least JPY 10 million; otherwise, they are given the number of points corresponding to the descending order of the average daily trading value in the JASDAQ market during the Calculation Period.
- (iii) Issues are given the number of points corresponding to the descending order of market capitalization as of the base date.

Then, out of top ranking issues, issues that satisfy the following criteria shall be added.

- There was a surplus in operating income for the most recent fiscal year;
- It was a dividend payer in the most recent fiscal year (excluding issues expected to be non-dividend-payers for the next fiscal year);
- It has been listed for 100 business days or more;
- The free-float-weight is at least 0.2; and,
- It does not have extremely low liquidity.

*Considering the level of free-float market capitalization and trading value, issues may be added even if there was a deficit in operating income or it was a non-dividend payer.

III. Adjustment of Divisor/Stock Price Adjustment Ratio

- Whenever stock prices fluctuate due to an increase or decrease in the number of constituent issues, stock splits, or similar events other than changes in market conditions, the divisor or stock price adjustment ratio used in calculating JASDAQ-TOP20 is adjusted as follows to maintain continuity.

1. Events that Require Adjustment

(1) Adjustments Accompanying Corporate Action, etc.

Event Requiring Adjustment	Adjustment Date *2	Adjustment
Stock Split, Reverse Split, Gratis Allotment of Shares	Ex-Rights Date	Stock Price Adjustment Ratio
Capital Increase with Paid-in Allotment	Ex-Rights Date	Divisor
Rights Offering (limited to case where the allotted subscription warrant securities are listed) *1	Ex-Rights Date	Divisor
Delisting with Designation as Securities to be Delisted	4 Business Days after Designation	Divisor
Delisting without Designation as Securities to be Delisted	Delisting Date	Divisor
Removal of Issue other than Delisting	Final Business Day of October	Divisor
Addition of Issue	Final Business Day of October	Divisor

*1: The number of shares for rights offering used for calculating the index will correspond to the number of shares to be allocated to shareholders. Cases where the allotted subscription warrant securities are not listed are treated as "Exercise of subscription warrants".

*2: Adjustments are made after the end of trading on the business day before the adjustment date (i.e., before the market opens on the adjustment date). The same shall apply hereinafter.

(2) Data Source

- Information on the reason for adjustments made to the divisor or stock price adjustment ratio, details on the adjustment, the adjustment date, and other data is taken from the "Sho-ho" (TSE Notice) published daily by TSE based on reports and

other information provided by listed companies.

- If a listed company revises the contents of a previously published report that resulted in an index adjustment, retroactive index adjustments will NOT be made based on the revised contents.

2. Divisor Adjustment Method

(1). Adjustment Method

- The divisor shall be adjusted according to the following formula to maintain continuity of the index.

$$\text{New Divisor} = \text{Old Divisor} \times \text{Total New Stock Price Used for Index Calculation} \div \text{Total Old Stock Price Used for Index Calculation}$$

(2). Adjustment Example

- If, for example, the old divisor was 20 and the previous day's total of the stock prices used for index calculation was JPY 20,000, JASDAQ-TOP20 on the previous day will be:

$$\text{Previous day's JASDAQ-TOP20} = \text{JPY } 20,000 \div 20 = \text{JPY } 1,000.00$$

- If Issue A is delisted and the previous day's total of the stock prices used for index calculation was JPY 2,000, the new divisor will be:

$$\text{New Divisor} = 20 \times (20,000 - 2,000) \div 20,000 = 18$$

- As shown below, assuming no change in constituent stock prices, JASDAQ-TOP20's value for the current date will be JPY 1,000.00. (By adjusting the divisor, the continuity of the index can be maintained without being influenced by changes in the Total Stock Price Used for Index Calculation due to removal of issues.)

$$(20,000 - 2,000) \div 18 = \text{JPY } 1,000.00$$

IV. Miscellaneous

1. Publication/Dissemination of Index Data

(1) Index Values

- JASDAQ-TOP20 index values are disseminated in real-time (15-second intervals) through the Market Information System to securities companies, news media outlets, and other institutions nationwide.

(2) Index Data

- Index data relating to JASDAQ-TOP20 (divisor, stock price adjustment ratio of constituents, etc.) is provided for a fee through the Index Data Service.

2. Licensing

TSE reserves all calculation, publication, and other rights pertaining to JASDAQ-TOP20. As such, commercial use of JASDAQ-TOP20 in the composition and/or sale of financial products such as funds or linked bonds (including using the index as the basis for options, swaps, warrants, or other OTC derivatives) or provision of index data requires a license from TSE.

3. Contact

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