

iTraxx Japan Index Rules

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1 Index Overview

1.1 iTraxx Japan Index

IHS Markit Credit Indices are indices that track different segments of the debt markets (corporate, municipal and sovereign debt bonds and/or loans) across different regions (Europe, Asia, North America and Emerging Markets) and are referenced in various tradable products such as credit default swaps (“CDS”)

IHS Markit Credit Indices are made up of the most liquid entities in the relevant single-name CDS market.

The indices roll on a semi-annual basis, and the composition of each new series (a new index) is established based on a transparent set of rules designed to ensure that the current series tracks the most liquid instruments in the relevant market.

The iTraxx Japan Index is composed of forty (40) liquid Japanese entities with investment grade credit ratings that trade in the CDS market.

The iTraxx Japan Index is a tradable index that allows market participants to take a view on the overall credit quality and direction of the underlying basket by trading one instrument.

1.2 Administrator

IHS Markit Benchmark Administration Ltd. (IMBA) is the administrator of the iTraxx Australia Index. The composition of this index is determined by the Administrator in accordance with the rules and methodologies set forth in this document (the “Rules”).

S&P DJI shall make determinations and perform all actions regarding the indices pursuant to the Rules except as follows:

Upon the occurrence of an event that S&P DJI determines materially impacts the integrity of one or more type of iTraxx Japan Index-related transactions, including but not limited to trading interruptions; market instability; and/or force majeure events, S&P DJI, acting in a commercially reasonable manner, may at its sole discretion determine that it is appropriate to depart from the methodologies, timelines and/or procedures set forth in the Rules in order to obtain a result that preserves the economic intent of such iTraxx Japan Index. Where the best course of action is not clear S&P DJI will consult the Index Advisory Committee for guidance prior to making any such determination. The determined course of action will be documented, communicated to all stakeholders and published on the S&P DJI website www.spglobal.com under the *iTraxx News* page.

In the event that any critical input required in the construction of a new series of the index is not available, S&P DJI will confer with the Index Advisory Committee and publish the outcome of any material change as well as any decisions taken at S&P DJI's discretion that have led to a methodology change.

1.3 Roll Dates

iTraxx Japan Index will begin on 20 March (or the Business Day immediately thereafter in the event that 20 March is not a Business Day) and 20 September (or the Business Day immediately thereafter in the event that 20 September is not a Business Day) of each calendar year (each such date, a “Roll Date”).

All references to “Business Days” in this document mean days on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Tokyo, Japan. All times referred to in this document, refer to local time in Tokyo, Japan.

1.4 Rule Revision

The rules for the index are reviewed semi-annually prior to the index roll. Decisions made following an index rule review will be communicated to stakeholders via e-mail and published on the S&P DJI website. The publication will contain an overview and timelines for implementation of such rules changes.

1.5 Maturity

Each Index that has a Roll Date of 20 March shall be issued with the maturity date of 20 June occurring 5 years following the Roll Date.

Each Index that has a Roll Date of 20 September shall be issued with the maturity date of 20 December occurring 5 years following the Roll Date.

1.6 Weighting

Each constituent in the iTraxx Japan Index will have equal or approximately equal weightings. The weighting of each entity will be equal to (i) one divided by (ii) the number of entities in such index, expressed as a percentage with three decimal places (e.g., 3.226%). In the case where rounding is necessary to express the weightings in this manner, the entities shall be arranged in alphabetical order, with the weightings of the entities at the top of the list being rounded up to the nearest one-thousandth of a percent and the weightings of the entities at the bottom of the list being rounded down to the nearest one-thousandth of a percent until the weightings of all entities have been rounded and the aggregate of the weightings equals exactly 100%.

1.7 Relevant Rating

Determinations of constituents for the iTraxx Japan Index will be based, in part, on the “Relevant Rating” of each entity in consideration for inclusion or exclusion. For the purposes of these Rules, “Relevant Rating” means the highest rating of the following:

1. Higher of the Issuer Rating, Senior Unsecured Debt Rating, and Corporate Family Ratings for Moody’s;
2. Higher of the Long-term Issuer Credit Rating and Senior Unsecured Debt Rating for S&P;
3. Higher of the Issuer Default Ratings and Senior Unsecured Debt Rating for Fitch.
4. The Rating and Investment Information, Inc. (R & I) Issuer Rating
5. The Japan Credit Rating Agency, Ltd. (JCR) Long Term Issuer Rating

Entities must have a Relevant Rating of at least BBB-/Baa3 by one of the rating agencies listed above in order to be classified as Investment Grade.

Rating changes that could affect the index membership are taken into account if S&P DJI is notified of such change prior to 5:00 pm Tokyo time on the second Friday of the month in which the Roll Date occurs.

2 Index Roll Process

2.1 General Criteria

- Entities must be Investment Grade.
- Entities must demonstrate trading activity greater than zero during the last eight weeks preceding the last Friday of the month prior to the Roll Date as measured in the DTCC 6 Month Analysis Top 1,000 Single Names Report (see below)
- Entities must be incorporated in Japan.
- If a company is guaranteed by or guarantees another one, only the most liquid is eligible.
- Volumes for separate entities that fall under the same trading ticker, but trade separately in the CDS market, are summed to arrive at an overall volume for each ticker. The most liquid entity under the ticker is eligible for index membership.
- Index Sector Limits – The Index is subject to a maximum of 12 entities from any of the 6 Nikkei Stock Average sector categories, consolidated from the 36 Nikkei industrial classifications.
- Financial Entities that trade under the ISDA Transaction Type ‘Japan Financial Corporate’ as specified by S&P DJI RED are not eligible for selection.

2.2 Creation of the Liquidity List

Following publication of the DTCC 6 month Analysis Top 1,000 Single Names Report or any successor report thereto published by DTCC, or if such report is no longer available a successor report that measures liquidity within the CDS market (collectively known as the *DTCC Report*) This report measures liquidity over the last six months preceding the last Friday of the month prior to the Roll Date.

S&P DJI will create a Liquidity List based on the average weekly trading activity as measured in the *DTCC Report*.

Entities on the Liquidity List should satisfy the General Criteria.

The list is then ranked according to trading volumes, i.e. the entity with the highest trading volume is ranked #1.

If there are less than 40 eligible entities available from the Liquidity List constructed using DTCC data S&P DJI will initiate a liquidity poll whereby market participants will be requested to send a list of the most liquid traded entities which are not included in the *DTCC 6 Month Analysis Top 1,000 Single Names* report:

- Trading volumes of each entity should be aggregated by market participants.
- Trading volumes for the past 6 months from the last Tokyo Business Day of the month prior to the roll date should be used.
- All internal transactions are excluded from the volume statistics, e.g. those with internal proprietary trading desks.

S&P DJI will then aggregate the volume ranked lists from market participants to compute final liquidity ranking for each entity which will be added to Liquidity List, below the names for which DTCC data was available.

2.3 Creation of the New Index Series

At the time of an index roll, the index composition is initially set to be the same as the previous series, S&P DJI will then identify entities which match the Roll Exclusion criteria below and remove them from the

existing index. S&P DJI will then add new and replacement entities by applying the Roll Inclusion criteria to create the new index. The inclusion and exclusion processes are as described below

2.3.1 Roll Exclusions

No later than eight (8) Business Days prior to a Roll Date, S&P DJI will create list of entities in the current index that no longer satisfy the General Criteria set forth above or match the exclusion criteria set forth below:

Corporate Events

S&P DJI may determine, at its sole discretion and based on publicly available information, that a corporate event has occurred or been announced in relation to any current constituent that renders such current constituent unsuitable for inclusion. For purposes of this paragraph,

- (i) "Corporate Events" include mergers, acquisitions or other similar events and
- (ii) "Publicly available information" includes, but is not limited to, information from public filings, financial reports, or information published in the main sources of business news in the country in which the corporate entity is organized and any other internationally recognized published or electronically displayed news services.

Credit Events

S&P DJI may determine at its sole discretion that a current constituent is no longer suitable for inclusion in the Index if one of the following occurs on or after the previous Index Roll Date with respect to any current constituent:

- (i) a notice is published on the ISDA Credit Derivatives Determinations Committee webpage (<http://dc.isda.org/>, or any successor webpage thereto) announcing that a request relating to a potential Credit Event (as defined in the Credit Definitions) in respect of such current constituent has been accepted by the relevant Credit Derivatives Determinations Committee (as defined in the Credit Definitions, the "DC"); provided that as of 5:00 p.m. Tokyo time on the first business day following the day on which the relevant DC is required to convene to consider such request under the DC rules (such timeline to be determined without regard to any ability of the DC to amend the published timetables set forth in the DC rules immediately prior to such request), a DC No Credit Event Announcement (as defined in the Credit Definitions) has not occurred and no announcement to the effect that such request has been dismissed, withdrawn, or rejected by the relevant DC has been published on such webpage; or
- (ii) a DC Credit Event Announcement (as defined in the Credit Definitions) occurs with respect to such current entity. As set forth in these Rules, S&P DJI may consider any information and make any determinations necessary under this Roll Exclusion to obtain a result that preserves the integrity of the Index.

External Events

S&P DJI may determine at its sole discretion that an entity that would qualify for inclusion based on the selection criteria would not be appropriate to include in the forthcoming series. This might be based on an external event impacting the entity which can include sanctions, legal restrictions, or other similar stipulations. S&P DJI will make such decision based on publicly available information and, where possible, after consulting with market participants.

Liquidity Based Exclusion

Existing entities in the current index will be excluded from the new index if they are either not part of the Liquidity List or if more than 75 entities are available on the Liquidity List, and they are ranked at #76 or lower.

Spread Based Exclusion

Entities priced at greater than 50 points upfront (corresponding to a 100 bps fixed coupon) for the 5Y tenor will be excluded. The average upfront over the last 10 Tokyo Business Days of the month prior to the Roll Date will be considered.^[1]

These entities will be replaced by the most liquid eligible new entities from the Liquidity List subject to the inclusion criteria set forth below. Current entities identified in accordance with the above are “Roll Exclusions.”

^[1]Where credit default swap spreads are required to determine eligibility for inclusion, the S&P DJI CDS End of Day service will be used. S&P DJI receives contributed CDS data from market participant's official books of record. This data undergoes a rigorous cleaning process before being aggregated to form the S&P DJI CDS End of Day Composite

2.3.2 Roll Inclusions

Using the Liquidity List S&P DJI will identify entities that match the criteria below to create a list of entities that are not current constituents, that are not subject to any Roll Exclusion criteria above, and that satisfy the General Criteria:

- **Liquidity Based Inclusion;** After excluding companies not meeting the general criteria new entities ranked #25 or higher are included automatically. If the inclusion causes the maximum 12 entity per sector limit to be exceeded, the least liquid entity from that sector is then excluded, otherwise the least liquid entity from the existing overall 40 entity list is excluded.
- If an existing constituent has been excluded from the new index due to the Roll Exclusions above, the entity will be replaced by the most liquid new entity from the Liquidity List, subject to the index sector limits. (If the replacement entity belongs to a sector which already has 12 entities, the next most liquid entity from the liquidity list from a sector containing 11 or less entities is selected).
- This process is repeated until all Roll Exclusions have been replaced and the index has 40 entities which satisfy the 6 sector limits.

2.4 Publication of Provisional iTraxx Japan Index

The list of entities resulting after the steps above (the “Provisional iTraxx Japan Index”) will be published on S&P DJI’s public website for comment no later than seven (7) Business Days prior to the Roll Date. S&P DJI will review comments received and determine whether amendments are necessary. S&P DJI welcomes public comment, but is not required to follow or otherwise address any comment received. S&P DJI will publish the expected name changes (if any) on its public website as it determines such changes may be required. The comment period will end four (4) Business Days prior to the Roll Date. The draft and final annexes for the iTraxx Japan Index will be published as set forth in the 'Publication of Annex' section below.

2.5 Reference Obligations

The reference obligations for the reference entities are obtained from S&P DJI Group’s Reference Entity Database (RED) in conjunction with input from iTraxx Japan Index market participants. For names in the overall index, senior reference obligations are used where possible.

2.6 Coupon Levels and Recovery Rates

No later than two (2) business days preceding the roll date, a telephone poll is initiated by S&P DJI to determine the coupons and recovery rates for each index. Coupon levels are rounded to the nearest 5 basis points and recovery levels to the nearest 5%.

2.7 Final Review of Constituent List

On any day prior to the date of publication of a final index annex, S&P DJI may determine that any entity that is intended to be included in the relevant index fails any of the criteria specified in the General Criteria and Roll Exclusions section, such entity shall be excluded from the Index. If S&P DJI determines that any entity shall be excluded from the Index in accordance with this Final Review of Constituent List, then the highest ranked entity in the Liquidity Rankings that has not already been included in the Index and that will not cause a sector limit to be exceeded, shall be added to the new Index, respectively, as a replacement entity.

Where a determination with regard to constituent selection is made by S&P DJI which involves discretion and/or expert judgement, S&P DJI will consult the Index Advisory Committee for guidance. Such determinations will be documented, communicated to stakeholders via e-mail and published on the S&P DJI website www.spglobal.com under the iTraxx News page. Where similar determinations are made, precedents set by previous decisions will be considered across all CDS indices.

In the unlikely instance an inaccuracy is not caught and resolved prior to the publication of the final list, or if input data used in the constituent selection process is revised retrospectively, S&P DJI will review the impact on the affected indices. In order to determine whether to restate the final list or any index parameters, S&P DJI will consult with the Index Advisory Committee to determine the impact of such action.

If it is decided to update the Final List or any related parameters, the reason for such revision together with revised material will be published. In addition, S&P DJI will compile an incident report to summarize the incident, the root cause, and set forth remedial actions to avoid such an error in the future, where such remedial actions are applicable.

2.8 Publication of Annex

No later than three (3) Business Days prior to the Roll Date of the iTraxx Japan Index, S&P DJI will publish a draft of the annex for such iTraxx Japan Index, along with the weighting and final reference obligations (if applicable) for each entity. The final annex for iTraxx Japan Index will be published after 5:00 p.m. Tokyo Time on the Business Day immediately preceding the Roll Date of the Indices.

2.9 Changes to Reference Obligations

In the event that S&P DJI receives requests from three or more market participants that the reference obligation of an entity should be replaced, S&P DJI will identify one new reference obligation for such entity, based on RED and on input from iTraxx Japan Index market participants. A poll is then initiated by S&P DJI. If a majority of the market participants participating in the poll agrees that such replacement should be made, a new annex will be published by S&P DJI, which will be identical to the previous annex, save for the fact that the reference obligation for such entity will be as agreed in the poll.

2.10 Changes to Entity Names

The treatment of all indices following corporate actions such as succession events is now governed by the amendment to the Small Bang protocol which was implemented by the ISDA Determinations Committee in December 2010. As per this amendment, as long as the effective date of the index is before the resolution date of an event by the relevant ISDA DC, it will be automatically taken into account without the need for reversioning the index or updating the index annex. S&P DJI will not update the index annex for name changes and corporate actions in between roll dates.

3 EU Required ESG Disclosures

EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY [1]		
1	Name of the benchmark administrator.	IHS Markit Benchmark Administration Limited (IMBA)
2	Underlying asset class of the ESG benchmark. [2]	N/A
3	Name of the S&P Dow Jones Indices benchmark or family of benchmarks.	CDS BM Indices Benchmark Statement
4	Do any of the indices maintained by this methodology take into account ESG factors?	No
Appendix latest update:		March 2023
Appendix first publication		March 2023

[1] The information contained in this Appendix is intended to meet the requirements of the European Union Commission Delegated Regulation (EU) 2020/1817 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation of how environmental, social and governance factors are reflected in the benchmark methodology.

[2] The 'underlying assets' are defined in European Union Commission Delegated Regulation (EU) 2020/1816 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

4 Further information

Client support

For client support please contact index_services@spglobal.com.

Formal complaints

Formal complaints should be emailed to spdji_compliance@spglobal.com.

Please note: spdji_compliance@spglobal.com should only be used to log formal complaints.

General index inquiries

For general index inquiries, please contact index_services@spglobal.com.

Disclaimer

Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates (“S&P DJI”) defines various dates to assist our clients by providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index’s Launch Date are considered back-tested. S&P DJI defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company’s public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed “Date of introduction”) is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index’s public release date.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations.

Information presented prior to an index’s launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate certain ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using “Backward Data Assumption” (or pulling back) of ESG data for the calculation of back-tested historical performance. “Backward Data Assumption” is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as “product involvement”) were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on “Backward Data Assumption” please refer to the FAQ. The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used. Index returns shown do not

represent the results of actual trading of investable assets/securities. S&P DJI maintains the index and calculates the index levels and performance shown or discussed but does not manage any assets.

Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index. S&P DJI does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P DJI makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P DJI is not an investment advisor, commodity trading advisor, fiduciary, "promoter" (as defined in the Investment Company Act of 1940, as amended) or "expert" as enumerated within 15 U.S.C. § 77k(a), and S&P DJI makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. S&P DJI is not a tax advisor. Inclusion of a security, commodity, crypto currency, or other asset within an index is not a recommendation by S&P DJI to buy, sell, or hold such security, commodity, crypto currency, or other asset, nor is it considered to be investment or trading advice.

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In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions, and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate, or otherwise address.

Some indices use the Global Industry Classification Standard (GICS[®]), which was developed by, and is the exclusive property and a trademark of, S&P Global and MSCI. Neither MSCI, S&P DJI nor any other party involved in making or compiling any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability, or fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P DJI, any of their affiliates

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