

LONG SHORT STRATEGY INDEX ON MSCI JAPAN IMI CUSTOM (GROSS) 85% + CASH (JPY) 15% INDEX* METHODOLOGY

* a custom index combining MSCI Japan IMI custom Liquidity and Yield Low Volatility Index and MSCI Japan IMI based on the factors provided by Nikko AM

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1 INTRODUCTION

The Long Short Strategy Index on MSCI Japan IMI Custom (Gross) 85% + Cash (JPY) 15% Index is designed to represent the performance of a strategy that assigns 85% weight to the Long Short Strategy Index on MSCI Japan IMI Custom Index and 15% weight to Cash (overnight LIBOR Japanese Yen). The Long Short Strategy Index on MSCI Japan IMI Custom Index (“Component Index”) aims to represent the returns of a strategy which takes a long position on constituents in the MSCI Japan IMI custom Liquidity and Yield Low Volatility Index and a short position on constituents of the MSCI Japan Investable Market Index (IMI) based on the weights provided by Nikko AM.

This methodology book provides a description of the rules and guidelines followed by MSCI for the construction and maintenance of the Long Short Strategy Index on MSCI Japan IMI Custom (Gross) 85% + Cash (JPY) 15% Index.

2 CONSTRUCTING THE LONG SHORT STRATEGY INDEX ON MSCI JAPAN IMI CUSTOM (GROSS) 85% + CASH (JPY) 15% INDEX

2.1 INDEX STRUCTURE

The Long Short Strategy Index on MSCI Japan IMI Custom (Gross) 85% + Cash (JPY) 15% Index is constructed using following two Component Indexes.

- Long Short Strategy Index on MSCI Japan IMI Custom Index

Long Short Strategy Index on MSCI Japan IMI Custom Index is designed to represent the performance of a strategy that is 100% long on constituents of the MSCI Japan IMI Custom Liquidity and Yield Low Volatility Index (“Sub-Components Index 1”) and X%¹ short on constituents of the MSCI Japan IMI (“Sub-Components Index 2”). It is constructed and maintained by applying the MSCI Short and Leveraged Daily Indexes methodology².

This Index is computed using a variant of the MSCI Short and Leveraged Daily Indexes Methodology that does not apply stock borrowing costs and the overnight risk-free rates.

Please Refer to Appendix I for further details on the Sub-Component Indexes of Long Short Strategy Index on MSCI Japan IMI Custom Index.

Sub-Component Index weights can be adjusted by Nikko AM with at least 15 business days’ notice prior to the effective date of the Quarterly Index Reviews.

- Cash (JPY LIBOR rate)

Cash represents the performance of the overnight London Interbank Offered Rate (LIBOR) denominated in Japanese Yen (JPY).

2.2 INDEX WEIGHTING SCHEME

The Index is constructed as combination of the following component indexes at the specified weights.

- Long Short Strategy Index on MSCI Japan IMI Custom Index: 85%
- Cash (JPY LIBOR rate): 15%

¹ X represent the Beta weighting factor provided by the Nikko AM prior to each Quarterly Index Review

² MSCI Short and Leveraged Daily Indexes methodology is available at <https://www.msci.com/index-methodology>

3 MAINTAINING THE LONG SHORT STRATEGY INDEX ON MSCI JAPAN IMI CUSTOM (GROSS) 85% + CASH (JPY) 15% INDEX

3.1 DAILY REBALANCING

The Long Short Strategy Index on MSCI Japan IMI Custom (Gross) 85% + Cash (JPY) 15% Index is rebalanced daily. The weights applicable for the Long Short Strategy Index on MSCI Japan IMI Custom (Gross) 85% + Cash (JPY) 15% Index are effective at the open of each business day.

The Long Short Strategy Index on MSCI Japan IMI Custom (Gross) 85% + Cash (JPY) 15% Index is derived from existing underlying MSCI Indexes. As a result, changes in the constituent securities of the component indexes are reflected in the Long Short Strategy Index on MSCI Japan IMI Custom (Gross) 85% + Cash (JPY) 15% Index as they occur and as they are captured in the underlying MSCI Indexes.

3.2 ONGOING EVENT RELATED CHANGES

The Long Short Strategy Index on MSCI Japan IMI Custom (Gross) 85% + Cash (JPY) 15% Index is derived from underlying MSCI Indexes. As a result, corporate events are reflected in the Long Short Strategy Index on MSCI Japan IMI Custom (Gross) 85% + Cash (JPY) 15% Index as they occur and as they are captured in the underlying MSCI Indexes.

APPENDIX 1 METHODOLOGY FOR SUB-COMPONENT INDEXES

The following Sub-Component indexes are used in the construction of the Long Short Strategy Index on MSCI Japan IMI Custom Index.

MSCI JAPAN IMI CUSTOM LIQUIDITY AND YIELD LOW VOLATILITY INDEX

The MSCI Japan IMI Custom Liquidity and Yield Low Volatility Index is a custom index constructed by applying an optimization process to achieve total risk minimization for a set of companies with high yield and liquidity within the Parent Index.

The Index is constructed and maintained in accordance with the MSCI Japan IMI Custom Liquidity and Yield Low Volatility Index methodology available at <https://www.msci.com/index-methodology>.

MSCI JAPAN IMI

The MSCI Japan IMI is constructed and maintained according to the MSCI Global Investable Market Indexes Methodology and MSCI Corporate Events Methodology.

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* = toll free

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