

# Nikkei Semiconductor Stock Index

## Index Guidebook

Nikkei Inc.

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## 1: Introduction

“Nikkei Semiconductor Stock Index” is a market value weighted index which is comprised of major semiconductor-related stocks listed on the Tokyo Stock Exchange. The index is calculated by S&P Dow Jones Indices LLC (hereinafter referred to as the “S&P DJI”) under the commission by Nikkei.

## 2: Name

(Japanese)

Official : 日経半導体株指数

(English)

Official : Nikkei Semiconductor Stock Index

## 3: Constituents Management

### (1) Basic Point

The number of constituents of the Nikkei Semiconductor Stock Index is 30 in principle. The Periodic Review is conducted at the end of November every year. The index may be calculated with less than 30 constituents due to Extraordinary Removals during the year. The number will be back to 30 at the Periodic Review.

### (2) Universe

The index constituents are selected from the stocks listed on the Tokyo Stock Exchange (TSE). The stocks that have been listed for less than 2 months or are designated to “Securities to be delisted” or “Securities on Special Alert” are not included in the universe.

### (3) Periodic Review

- The Base Date of the Periodic Review shall be the final business day of October of each year. The constituent change on the Periodic Review will be announced sufficiently in advance of the effective date.
- The “Semiconductor Related Stocks” are defined as those whose main business is classified as one of the following categories in the NEEDS Industrial Classification\* (sub-categories). Stocks whose non-core businesses fall under the sub-categories below are also counted as Semiconductor Related Stocks taking into account their market capitalizations, if their semiconductor-related revenues account for 10% or more of the total sales revenue and they have a high

market share of semiconductor-related products.

\* The "NEEDS Industrial Classification" is Nikkei NEEDS' original industry classification based on the current industrial structure. Each company is assigned to industry category based on its business and sales structure. In order to fully take into account the diversified businesses of a company, multiple industry categories are assigned to each company in addition to its core business. The classifications are reviewed on a regular basis and also when there is a major change in the core business.

NEEDS Industrial Classification (Sub-categories)
Fabricated materials for electronic components
Semiconductor / liquid crystal making equipment
Semiconductor (integrated circuits, semiconductor devices)
Silicon, Silicon wafers
Photomasks
Image Sensors
Wholesale of semiconductor / electronic components

- Eligible stocks should have a minimum of market capitalizations of both JPY 20 billion and 12-month average daily trading values of JPY 50 million (For companies that have been listed for less than a year, the average daily trading value is calculated between the listing date and the Base Date). Stocks already in the index are considered eligible if they have a minimum of market capitalizations of JPY 10 billion and 12-month average daily trading values of JPY 25 million.
- Semiconductor Related Stocks which meet eligibility condition above are first sorted in descending order by full market capitalization. 30 constituents are selected according to the following priorities:
  - (I) Top 10 stocks.
  - (II) Current constituents ranked in the top 35.
  - (III) Stocks other than the (I), (II) above.

In cases where more than two or more stocks have the same market value, priority should be given to the stock with higher liquidity (12-month average daily trading value).

#### (4) Extraordinary Removal

- In cases where a constituent is designated as “Securities to be delisted” or “Securities on Special Alert”, it will be deleted from the index after five business days from the designation date.
- In cases where a constituent is delisted for reasons such as a merger, it will be deleted on the delisting date.
- A constituent designated as “a Security under Supervision” remains to be a constituent at the time of designation. However, Nikkei may remove such a constituent with a pre-announcement when it is highly inappropriate to keep the stock as a constituent, e.g. probability of delisting is extremely high.

#### (5) Constituents in the Past and on the Launch Date

- For the retroactive index calculations (see 4-(7) below), constituents were selected according to the NEEDS Industrial Classification as of October 31, 2023 and the market capitalization ranking as of the Base Date each year. Annual reshuffles took place on the final business day of the following month of the Base Date each year. The Extraordinary Removal rules described in the section (4) above were also applied.

### **4 : Index Calculation**

#### (1) Basic Point

- The index is calculated using a market capitalization-weighted methodology.
- The index level on November 30, 2011 (the Inception Date) is 1,000.
- The unit of the index is “points”. The third digit after the decimal point is rounded to ensure that the index has two digits after the decimal point.
- The index is calculated on an end-of-day basis, using the prices of the Tokyo Stock Exchange.

#### (2) Calculation Formula

- The daily index value shall be calculated by the following formula.

$$\text{Index value} = \Sigma \{ \text{Share price} \times \text{Weight Factor} \} / \text{Divisor}$$

### (3) Share Price

- Prices used for the calculation are selected according to the following priorities: (I) Special quote or sequential trade quote, (II) Closing price, (III) Base price. (The base price is obtained based on the priority order of ex-rights theoretical price, the special quote price or the sequential trade quote price on the previous day, and the closing price on the previous day.)

### (4) Weight Factor

- The Weight Factor used for the index calculation (number of shares for the index) shall be the number of issued common shares on the Base Date of the Periodic Review.
- If the weight of a constituent accounts for more than 15% of the index at the Periodic Review, the Weight Factor shall be adjusted to reduce the weight to or below 15%. The Weight Factors of constituents whose core businesses are not classified in semiconductor-related businesses shall be adjusted to retain the weight of each of those constituents under or equal to 5%.
- In cases where a constituent undergoes stock splits/reverse splits, the Weight Factor shall be adjusted corresponding to the stock split ratio/reverse split ratio on the ex-date.

### (5) Divisor

- The Divisor on November 30, 2011 (the Inception Date) is determined by the following formula.

$$\text{Divisor} = \Sigma \{ \text{Share prices} \times \text{Weight Factor on the Inception Date} \} / 1000$$

- The Divisor shall be modified following the formula below at every constituent change after the Inception Date.

$$\begin{aligned} & \text{Divisor tomorrow} = \text{Divisor today} \\ & \times (\sum \{ \text{base prices next day of the index constituents for the next day} \\ & \quad \times \text{Weight Factor for the next day} \}) \\ & / (\sum \{ \text{base prices today of the today's constituents} \\ & \quad \times \text{today's Weight Factor} \}) \end{aligned}$$

(6) Modification of the Index Value

- Index values may be revised retroactively in accordance with S&P DJI's methodology.

(7) Retroactive Calculation in the Past

- The index is retroactively calculated from the Inception Date (November 30, 2011=1,000) on an end-of-day basis.
- The constituents used for the retroactive calculation are selected as described in 3-(5).

**5: Others**

(1) Total Return Index calculation

Nikkei calculates “Nikkei Semiconductor Stock Index (Total Return)” and “Nikkei Semiconductor Stock Index (Net Total Return)” as related indexes of the “Nikkei Semiconductor Stock Index” by adding the dividends and the net dividends excluding taxes respectively. These indexes are calculated on an end-of-day basis.

The basic points for the total return calculation such as the method to incorporate dividends conform to the S&P DJI's methodology.

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### (4) Contact

Index Business Office, Nikkei Inc.  
mail: [index@nex.nikkei.co.jp](mailto:index@nex.nikkei.co.jp)