

## **Press Release**

**Original release in Japanese.**

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### **Revisions of the Nikkei Average Selection Rules**

Nihon Keizai Shimbun, Inc. (Nikkei) announces the revisions of the component selection rules for the Nikkei Stock Average (Nikkei Average or Nikkei 225). These revisions are in response to the rapidly growing mergers among financial institutions and to the changes in the Japanese Commercial Law on corporate split. These revisions will become effective from March 1, 2001. Current rules control until this date. This announcement is for the rule revisions only. These revisions do not result in immediate changes in the components.

#### **1. Surviving entity such as holding company may continue to be a component**

Under the current rule, newly formed holding company which includes current components may be chosen as a new component only in the next periodic review. (+) New rule eliminates this restriction. When components are deleted due to mergers or reforms, the newly formed company such as a holding company which is deemed to be a surviving entity may be chosen as a new component immediately.

When a component split into multiple corporations, the one which is deemed to inherit the major business of the original company may be chosen as the new component.

(+ periodic review is conducted usually in September and results become effective on the first trading day of October)

#### **2. Calculation with less than 225 components under special circumstances**

The Nikkei Average is an index of 225 components. However, under special circumstances, the index may be calculated with less than 225 stocks for a limited period of time. An example of such special case is in the formation of a holding company. Suppose several components form a new holding company, which is deemed to be a surviving entity. Under current regulations, there may be a period of time (usually about one week) between delisting of these components and the

listing of the new holding company. For such a period, Nikkei Average may be calculated with less than 225 stocks. Components are deleted on the day of delisting. Although new components are added on the same day, a vacancy is saved for the holding company to be listed later. The divisor is adjusted to keep the continuity in the index value.

3. New components selected in accordance with the "Periodic review standards" when multiple deletions occur concurrently

Current rule for the non-periodic deletion/addition states "a replacement will be chosen from the industrial sector that the delisted issue came from". Although this remains to be the basic rule, this is revised to include the following exception. When multiple number of components are deleted concurrently and such event occurs not in the season of periodic review, new components are not necessarily from the same industrial sector but may be chosen in accordance with the periodic review standards.

4. New procedure in periodic review

Multiple number of components can be deleted concurrently in the season of the periodic review. Under such circumstances, periodic review will be conducted including such deletions. In September 2000 when there were several mergers, "Non-periodic deletion/addition standards" were applied and the new components were chosen from the same industrial sector, followed by a periodic review. From the next year, all the components are reshuffled in one process of periodic review if the delisting dates are close to the periodic review. New components are added as components are delisted even if such dates come before the effective date of the periodic review.

<Note>

- Rule for the Nikkei Stock Index 300 (Nikkei 300) is to be revised accordingly and will become effective from March 1, 2001.
- Component selection rules for Nikkei indices are subject to change when there are major changes in the market structure, regulations, or industrial structure. Please refer to the latest version.

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