

Changes to the Index Guidebook of the Nikkei Stock Average Regarding the Treatment of Spin-Offs

July 24, 2025 – From June 9 to June 30, Nikkei Inc. conducted an “Index Consultation Regarding the Treatment of Spin-Offs in the Nikkei Stock Average”. Nikkei asked 2 questions, receiving predominantly affirmative responses to both. As a result, Nikkei concluded that its proposals were supported and partially revises the Index Guidebook of the Nikkei Stock Average (Nikkei 225) as presented in Exhibit 1, “Details of the Changes to the Index Guidebook”.

Below is the overview of the said amendment. The amendment takes effect as of today.

1. The spun-off company from a Nikkei 225 component is temporarily incorporated into the index calculation as a pro forma component between the spin-off ex-right date and the listing date.
2. The offering price or the reference price is used for adjustment for the ex-rights of the original component stock until the listing date, as the spun-off company has no market price before listing.
3. The spun-off company is to be excluded from the index calculation on the next business day after the listing date.

In addition to the 2 questions mentioned above, Nikkei also welcomed comments on aspects that should be changed, besides the said proposal, to improve the indicative nature of the Nikkei 225 as a benchmark in question 3. The comments are summarized in Exhibit2. Nikkei considers these comments as valuable inputs to further improve the quality of the Nikkei 225.

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The Index Guidebooks for the indexes listed below have also been revised to address spin-offs in the same manner as the Nikkei 225, pursuant to the amendment. Please refer to the revised Index Guidebooks for details.

The affected indexes are follows: Nikkei 500 Stock Average, Nikkei Stock Index 300, Nikkei 225 High dividend Yield Stock 50 Index, Nikkei 225 Domestic Exposure 50 Index, Nikkei 225 Global Exposure 50 Index, Nikkei 225 Climate Change 1.5°C Target Index, Nikkei Consecutive Dividend Growth Stock Index, Nikkei Progressive and High Dividend Stock Index, Nikkei Semiconductor Stock Index.

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Exhibit 1: Details of the changes to the Index Guidebook for the Nikkei 225

[Index Guidebook] 3: Calculation method (5) Spin-Offs

Current	Proposed
(New)	<p><u>When shares of the spun-off independent company are distributed to the shareholders of a constituent company and the spun-off company is going to be listed in the short period, the spun-off company is temporarily incorporated into the index calculation between the spin-off ex-date and the listing date. The spun-off company is to be excluded from the index calculation on the next business day after the listing date.</u></p> <p><u>The offering price or the reference price submitted by the listing sponsor is to be used as the price of the stock temporarily included in the index calculation until the market price is determined after its listing. The PAF is to be set by considering the original component stock's PAF and the spin-off distribution ratio.</u></p> <p><u>The divisor may not need to be changed in principle, as the adjustment is made for the ex-rights of the original component stock on the ex-date. However, the divisor is adjusted depending on the spin-off distribution ratio, since the PAF is set down to the first decimal point. The divisor on the next business day after the listing date is to be adjusted in the same way as changes in the constituents so that the continuity of the index is maintained.</u></p>

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In addition to the above amendment, simple replacements of the words/concepts in the text of the Index Guidebook have been made. Please refer to the revised Index Guidebook for details.

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Exhibit 2: Summary of Answers to Question 3

We have received multiple responses to Question 3, “Do you have any comments or feedback on aspects that you believe should be changed, besides the proposal above, to improve the indicative nature of the Nikkei 225 as a benchmark?”. Below is the summary of the comments received regarding this question.

[from Security & Financial institution]

We believe that the indicative nature of the Nikkei 225 will be maintained as a result of previous revisions; however, the weight cap level should be gradually reduced, as the current level of 10% is becoming rather overweighted.

[from Security & Financial institution]

An amendment to the index rule to increase the PAFs of the constituents –whose PAFs were set to limit their weight to 1% or below when they were newly added to the Nikkei 225 – at periodic reviews after their addition is desirable. Accordingly, the concentration of weight in the top stocks will be eased, and the quality of the Nikkei 225 will be improved.

[from Security & Financial institution]

It is preferable for extraordinary rebalances due to corporate actions, including spin-offs, to take place simultaneously with periodic reviews when they occur within a short period.

[from Self-employed, Individual, Others]

Periodic reviews should be conducted in multiple sessions, such as 6 times within half a year, considering the increasing impact on the market due to the trading resulting from constituent reshuffles. Adding constituents at the opening price, much like the Special Quotation for futures, should be considered.

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