

Nikkei Stock Average Index Guidebook (to be effective from October 1, 2026)

Nikkei Inc.

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(July 9, 2026 creation)

1: Summary

(1) Introduction

The Nikkei Stock Average (Nikkei 225) is used around the globe as the most popular benchmark of the Japanese stock market. It is comprised of 225 stocks listed on the Tokyo Stock Exchange Prime Market and calculated as an adjusted price weight index.

The 225 constituent stocks are reviewed periodically by the liquidity in the market and sector balance. By calculating with highly liquid stocks, the index is aimed at fulfilling two objectives, one is to maintain its long-term continuity and the other is to reflect the changes in the industry structure.

The index started on September 7, 1950. It was retroactively calculated back to May 16, 1949 which is the day the Tokyo Stock Exchange reopened for the first time after the Second World War. The index has been calculated and published by Nikkei since 1970, succeeding it from the Tokyo Stock Exchange.

(2) Name

(Japanese)

Official: 日経平均株価 (Nikkei Heikin Kabuka)

Abbreviation: 日経平均 (Nikkei Heikin) , 日経 225 (Nikkei 225)

(English)

Official: Nikkei Stock Average

Abbreviation: Nikkei Average, Nikkei 225

2: Constituents Management

In principle, constituents of the Nikkei 225 are reshuffled based on the following rules. There are two types of changes in the constituents. One is “Periodic Review” conducted twice a year, and the other is “Extraordinary Replacement” where the vacancies of the constituents created by delisting or other reasons are filled.

This section is a summary of the constituents management and the official text is found in the “Nikkei Stock Average Constituents Selection Rules” attached hereto, which supersedes the explanation below.

(1) Necessary Conditions of the constituents

Stocks (old share, domestic) listed on the Tokyo Stock Exchange Prime Market.

However, non-ordinary shares such as ETFs, REITs, preferred stocks, preferred securities or tracking stocks are excluded.

(2) Periodic Review

Constituents are reviewed twice a year with a base date at the end of January and July, and the result becomes effective in the beginning of April and October respectively. Deletions and additions are announced before the effective date with some notification period. The purpose of this review is to maintain the market representativeness of the constituents. Stocks with high market liquidity are added and those with low liquidity are deleted. At the same time, to take changes in the industry structure into account, the balance of the sectors, in terms of the number of constituents, is considered.

(Procedure of the review)

① Assessment of liquidity

Liquidity of a stock is assessed by the two measures, “trading value” and “magnitude of price fluctuation by trading value” which is calculated as $(\text{High price}/\text{Low price}) / \text{Trading value}$.

② Deletion and Addition due to liquidity

Among stocks on the Tokyo Stock Exchange Prime Market, top 450 stocks in terms of the liquidity assessed in ① above are selected to form the “high liquidity group”. Those constituents not in the high liquidity group are deleted. Those non-constituent stocks which are in the top 75 of the high liquidity group are added.

③ Deletion and Addition by the sector balance

Nikkei has an industry classification system where there are 36 industries. For index operation purposes, these 36 industries are re-classified into 7 sectors. They are “Technology”, “Information and Communications”, “Financials”, “Consumer Goods”, “Materials”, “Capital Goods/Others”, and “Transportation and Utilities”.

Constituents are deleted and added to balance the number of constituents among these sectors. By considering the result of the procedure ② above, the sector balance is

adjusted to make the total number of the constituents to be 225. More specifically,

- i) Among the 450 stocks, half number of those that belong to a sector is designated as the “Appropriate number of stocks” for such a sector.
- ii) Compare the actual number of constituents in the sector with its “Appropriate number”. If the actual is larger, then delete from such sector. If the actual is smaller, then add to such sector. Stocks to be deleted are selected from stocks with the lower liquidity and stocks to be added are selected from stocks with the higher liquidity.

④Deletion and Addition within the Same Sector

Constituents are also deleted and added based on market liquidity within the same sector. The basic concept is as follows:

- i) For each of the seven sectors, the market liquidity ranking difference will be calculated between the lowest-ranked constituent currently included in the index and the highest-ranked eligible stock not currently included in the index.
- ii) In the sector where the ranking difference is the largest, the constituent currently included in the index with the lowest market liquidity ranking will be deleted, and the eligible stock not currently included in the index with the highest market liquidity ranking within the same sector will be added.

⑤Final decision

Stocks selected by the procedures above are “Candidates” for addition and deletion. They are presented to the committee comprised of academics and market professionals. Based on the comments from the committee, Nikkei Inc. will finally determine and announce the changes.

(3) Extraordinary Replacement

①Reasons for deletion

Stocks which meet the following criteria are deleted from the index.

- i) Designated as a “Securities to be Delisted” or “Securities on Alert”
- ii) Delisted due to corporate restructuring such as merger, share exchange or share transfer

iii) Transfer to the market other than the Prime

A constituent designated as “a Security under Supervision” remains to be a constituent at the time of designation. However, Nikkei may replace 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.

②Rules to choose stocks to be added (principal rules)

When a constituent is deleted because of the reasons above, a stock to be added will be selected, in principle, from the same sector in the “high liquidity group” in the order of liquidity and non-constituents.

③Rules to choose stocks to be added (exceptional rules)

Notwithstanding ② above, following rules may apply when a deletion is known in advance.

- i) When such deletion is scheduled close to the time of the Periodic Review, additional stocks may be selected in a part of the periodic review process.
- ii) When multiple deletions are scheduled in a short period, additions may not be selected one by one using the rules above but using the Periodic Review procedure by assessing the liquidity and the balance of the sectors.

④Rules to choose stocks to be added (exception for individual stock)

Notwithstanding ② above, procedures as exemplified below may be applied in case of corporate restructuring. Application of this procedure is determined for each case.

- i) Under the following cases, a stock of a company which will succeed the substance of the delisting company will be added in principle, where such company is listed or will be listed within a short period on the Tokyo Stock Exchange Prime Market.
 - Stock of a surviving company in mergers (constituent is merged by non-constituent)
 - Stock of a newly established company by stock exchange or transfer (shares of a constituent are exchanged with those of the new company, i.e. its parent company)
- ii) When a company is split, and multiple companies maintain listing on the Tokyo Stock Exchange Prime Market, a stock of a company which succeeds the major operation will become a constituent.

⑤Effective dates of constituent changes

In principle, for each reason under (3)①, constituents are deleted and added as follows. The exact date is announced for each event.

- i) Designated as a “Security to be Delisted” or “Securities on Alert”: five business days after the designation.
- ii) Delisted due to corporate restructuring such as merger, share exchange or share transfer and iii) Transfer to the market other than the Prime: effective date of the event. However, in case that a constituent stock is delisted due to a corporate restructuring and a stock of a company which succeeds the substance of the delisting company is added, the newly listed stock will replace on the date of its listing in principle. In case that a constituent designated as a stock under supervision is deemed as highly inappropriate and will be deleted, the announcement will be made approximately two weeks before its effective date. Even if such a constituent is designated as a stock to be delisted before the pre-announced effective date, the pre-announced effective date survives.

(4) Notes on the constituents management

①About Periodic Review

- i) Results of the Periodic Review are applied on the first trading day of April and October in principle. However, when there are delistings or new listings of the succeeding companies under the corporate restructuring and the constituents must be changed close to this date, changes to the index may be made in accordance with the schedule of delistings / new listings.
- ii) The maximum number of the constituents changed is 3. However, constituent change due to corporate reorganization near the time of periodic review is not included in the limit of 3.

②About Extraordinary Replacement

Extraordinary Replacement is intended to fill the vacancy made by deletion due to a specific event. There is no case to use this procedure to add a new constituent (and delete current constituent).

③General matters

For both Periodic Review and Extraordinary Replacement, deletion and addition are made effective on the same day to keep the number of constituents at 225. However, when necessary, the index may be calculated with less than 225 constituents. Divisor is adjusted at times when constituents are deleted or added to maintain the continuity of the index.

3: Calculation method

The Nikkei 225 is calculated as a weighted price average where the sum of the constituent stock prices adjusted by the price adjustment factor is divided by the divisor.

Adjusted stock price = stock price x price adjustment factor (*)

Nikkei Stock Average = sum of Adjusted stock price / Divisor

(*) For a constituent to which a capping ratio is applied, price adjustment factor will be replaced by “capped price adjustment factor”.

(1) Selection of the prices

Prices to be used for the calculation are selected by the following priority order of the values in the auction trading of the Tokyo Stock Exchange.

1. Special Quote, Sequential Trade Quote or Temporary Quote
2. Traded price
3. Base price

Note that if the price to be applicable to the definition 1 above is used for the calculation, the value will be used until the next valid price is applied, even if the quote is canceled. The definition 2 above includes the traded price in the closing auction.

“Base price” is obtained based on the priority order of the ex-rights theoretical price, the latest Special Quote price, Sequential Trade Quote price or Temporary Quote, and the latest traded price up to the preceding day.

In most cases, the price used for the calculation of the closing value of the index on

the preceding day becomes the “Base price”. However, if there are not any prices and quotes that are applicable to the definitions 1 or 2 above on an ex-rights day (for example, of a stock split), the “ex-rights theoretical price” based on the price used in the calculation of the closing value of the index on the preceding day is used for the calculation. Note that ex-dividend is not treated as an ex-right.

Also note that in the case where a newly listed company which succeeds the substance of a constituent stock to be delisted due to a corporate restructuring is added on its listing date, the base price on the first day of addition for the stock to be added shall be the price based on the last price of the stock to be delisted used in the calculation of the Nikkei 225 at the closing of the previous day of its delisting date considering with the integration ratio and other factors.

(2) Price Adjustment Factor

Price adjustment factor (PAF) is a number which adjusts price of the constituents. PAFs are set and revised as follows.

①Setting PAF

The PAF of a stock to be added to the Nikkei 225 is 1. However, the value other than 1 (0.1 to 0.9) may be assigned provided that the price of such stock on the base dates (end of January and July) exceeds 1% of the sum of constituent prices. It is set at the highest value which does not exceed 1% of the sum of the prices by 0.1 interval.

$$\text{PAF} = \text{sum of Adjusted stock price of the constituents} \times 1\% / \text{the stock price of the new constituent.}$$

Note) PAF is evaluated on the base date and rounded down to the nearest 0.1.

If an average daily trading value of a stock to be added is relatively low compared with its expected weight, the stock may be added with the PAF which is one-half (rounded up to the nearest 0.1) of the value set by the method described above. In such case, the PAF of the stock shall be raised to the planned value at the next periodic review in principle. When a stock of a newly established holding company is added replacing the delisting original company, value other than 1 may be set in accordance with the ratio of stock transfer, etc. in the establishment of the holding company.

Also note that if the stock price of the new constituent fluctuates drastically after the base date until the effective date of the change, the PAF may be adjusted. In this

case, such an adjustment will be announced at least 5 business days before the effective date in principle.

②Revising PAF

PAF is revised under the following situation.

- Large-scale stock split or reverse split

When a constituent goes for a large-scale stock split or reverse stock split, PAF is revised to keep the price level of such a constituent unchanged. However, since the PAF has only 1 digit after the decimal point, above adjustment calculation might result in a fraction. Also, if a result of calculation is less than 0.1, PAF will be set as 0.1. In these cases, the adjusted price before and after the split/reverse split are different. Such difference will be adjusted by divisor. Revision of PAF under large scale stock split or reverse split will be announced at least 5 business days before the effective date in principle.

[Note]

Japanese stocks used to have “par value”, which was abolished in October 2001. Before October 2001, stock prices were adjusted to the par value of 50 yen, which was a standard par value in the market. After abolishment of par value, “presumed” par value, which modeled after the “par value” was defined, and the stock prices were adjusted to presumed par value of 50 yen. At the time of introduction of the price adjustment factor (October 1, 2021), the price adjustment factor was set, in principle, based on then prevailing presumed par value so that the adjusted price by both methods are the same.

(3) Capping ratio

Capping ratio is a number which is used to temporally decrease the weight of a constituent when such weight exceeds a certain threshold (“weight cap threshold”). The capping ratio is applied, revised, or cancelled as stipulated below. Weight cap threshold is 12% upon introduction at the periodic review of October 2022. It will be reduced to 11% and 10% respectively at the periodic reviews in October 2023 and October 2024.

For a constituent to which a capping ratio is applied, the price of such a constituent is adjusted by “capped price adjustment factor” as shown below.

Capped price adjustment factor (CPAF) = Price Adjustment Factor x capping ratio

(*) CPAF is rounded down to the nearest 0.1.

- If, on the base date of a periodic review, the weight of a constituent to which any capping ratio is not yet applied exceeds the weight cap threshold, a capping ratio of 0.9 is applied on the effective date of the constituent change resulting from the periodic review. If a capping ratio was already applied to such a constituent, capping ratio will be decreased by 0.1. However, if no change is observed in the CPAF after the application of the new capping ratio, the capping ratio will be decreased further until there is a change in the CPAF.
- If, on the base date of a periodic change, weight of a constituent to which a CPAF is applied is below 5%, the capping ratio will be increased by 0.1 on the effective date of the constituent change resulting from the periodic review. However, if no change is observed in the CPAF after the application of the new capping ratio, the capping ratio will be increased further until there is a change in the CPAF. If the new capping ratio after the increment is 1, capping ratio will be cancelled.
- When a constituent to which CPAF is applied goes for a large-scale stock split or reverse split and the PAF is adjusted by the ratio of split or reverse split, the capping ratio may be revised so that the new CPAF does not change the weight of the constituent. For such a constituent, the capping ratio may have fractions after 0.1 and be increased/decreased by the number other than 0.1 in the next revision of the capping ratio.
- In principle, the capping ratio is applied, revised, or cancelled on the effective date of the constituent change resulting from the periodic review. However, depending on the liquidity of the constituent, changes in the capping ratio may be implemented in two or more steps.

(4) Divisor

The Nikkei 225 is calculated as adjusted price average where the weight is based on the price adjustment factor. This is basically an arithmetic average and the denominator was a number of constituents initially. Since then, there have been changes in the constituents etc., and the denominator has been adjusted to maintain the continuity of the index. This denominator is called the “Divisor”.

When constituents are changed, the sum of stock prices (=numerator) changes by the prices of additions and deletions. If the denominator is not changed in such cases, the index today will be different from the closing index on the previous day even if the prices of all individual constituents are the same.

To keep the index unchanged from such non-market events, the divisor is changed.

Points on the divisor change are as follows.

① Divisor is recalculated when the following events happen.

- i) Changes in the constituents
- ii) Corporate action such as split, reverse split, paid-in capital increase. However, when the split or the reverse split is in a large scale, the price adjustment factor may also be adjusted. The divisor may not be changed so long as the adjusted price is unchanged before and after such split/reverse split.
- iii) Capping ratio application, revision, cancellation or raising the PAF to the planned value for a stock whose PAF was one-half of the planned value.

② Calculation of the divisor change is as follows.

$$\text{Divisor tomorrow} = \text{Divisor today} \times \left(\frac{\text{sum of "base price for the next day constituents"}}{\text{sum of "closing price of today's constituents"}} \right)$$

(*) All prices are adjusted by the PAF. The “next day” means the next business day.

Closing price of today's constituents = The price used to calculate the closing index on the last day before an event (= today) x PAF for today

Base price for the next day constituents = The base price for the next day x PAF for the next day

Please note that for stocks for which capping ratio has been applied, the CPAF is used to adjust the price instead of the PAF.

③ 9th digit is rounded to make the divisor to have 8 digits after the decimal point.

(5) Spin-Offs

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.

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.

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.

(6) Miscellaneous

①Calculation day and time:

On trading day and during auction trading hours of the Tokyo Stock Exchange

②Calculation intervals:

Every 5 seconds since July 18, 2017. From January 4, 2010 to July 14, 2017, 15 seconds and before then, 1 minute. The opening price is currently calculated at 5 seconds past 9 am.

③Digits after the decimal point:

2 (3th digit is rounded)

④Real time (Intraday) calculation:

Intraday calculation started on Monday, March 25, 1985 (1-minute interval). Since then there are open, high, low indices in addition to the close.

4: Others

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(3) Contact

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Appendix : Change history of Index Guidebook

December 30, 2011 version	Initial version
July 18, 2017 version	Due to the calculation intervals change (every 5 sec.), revise the description in “3: Calculation method (4) Miscellaneous”
June 15, 2020 version	- Revise the description in “ 2: Constituents Management (3)Extraordinary Replacement ① Events of subjects and ⑤ Effective dates for constituent changes” - Delete an example in “2: Constituents Management (4)Notes for the constituents management ③ General matters” - Revise an example in “3: Calculation method (2) Presumed par value”
October 1, 2021 version	- Revise “2: Constituents Management,(4) Notes, ① About Periodic Review” (maximum number of constituent change is added) - Replace “3: Calculation method, (2) Presumed par value” by “3: Calculation method, (2) Price Adjustment Factor” - Revise “3: Calculation method, (3) Divisor, ② Calculation of the divisor change - Replace “Presumed par value” by “Price adjustment factor” throughout the text. Delete and revise explanations of the presumed par value.
April 4, 2022 version	- Replace “Tokyo Stock Exchange First Section” by “Tokyo Stock Exchange Prime Market” totally in line with the subject market change - Revise “①Reasons for deletion” and “⑤Effective dates of constituent changes” in “2: Constituents Management, (3) Extraordinary Replacement” due to adding a designation on “Securities on Alert” to the deletion criteria
July 19, 2022 version	Revise the number of digits after the decimal point in “3: Calculation method (3) Divisor ③”
September 29, 2022 version	Revise the preamble and “(2) Periodic Review” in

	“2: Constituents Management” • Add “(3) Capping ratio” in “3: Calculation method” (numbers to the items following (3) will be increased by 1) • Revise the description in “3: Calculation method (4) Divisor” in line with the addition of item iii)
October 2, 2023 version	• Add the description in case when new listed stock is replaced a delisted constituent in “2: Constituents Management (3)Extraordinary Replacement ⑤ Effective dates of constituent changes” • Add the description regarding the treatment of base price in case when a newly listed company is added on its listing date in "3: Calculation method (1) Selection of the prices" • Add the description regarding the stepwise addition in "3: Calculation method (2)Price Adjustment Factor ①Setting PAF" • Add the description regarding the stepwise addition in "3: Calculation method (4)Divisor"
November 5, 2024 version	• Add the description regarding the treatment of Temporary Quote in “3:Calculation method (1) Selection of the prices” and revise the relevant description
July 24, 2025 version	• Add “(5) Spin-Offs” in “3: Calculation method” (The number to the item following (5) is increased by 1)
October 1, 2026 version	• Revise “2: Constituents Management (2) Periodic Review ③ Deletion and Addition by the sector balance” to add the “Information and Communications sector” • Add “2: Constituents Management (2) Periodic Review ④Deletion and Addition within the Same Sector” (the numbers of the items following ④ are increased by 1)