

## General Policies for Nikkei Indexes Administration

May 11, 2020

Nikkei Inc.

### 1 Purpose

The purpose of this document is to set the general policies to administer the indexes, in and to which Nikkei Inc. ("Nikkei") owns the intellectual property rights including copyright, and calculated and published by Nikkei ("Nikkei Indexes").

### 2 Governance framework

Index Business Office in Nikkei is responsible for the administration of the Nikkei Indexes. Index Business Office establishes a meeting "Index Administration Meeting ("IAM")" which determines the Nikkei Indexes and conducts related operations. IAM is chaired by General Manager of the Index Business Office and consists of the members of the Index Business Office. IAM is held on a weekly basis under normal circumstances. Director in charge of the Index Business oversees the administration through IAM, while the "Index Committee" which consists of such director and the directors independent from the Index Business as appointed by CEO oversees and provides effective scrutiny for the significant issues.

### 3 Oversight of Third Parties

3.1 Nikkei may commission third parties to engage in the index calculation and related operations. Such third parties are chosen by reliability, record of performance, and/or the possibility of conflicts of interest.

3.2 Nikkei enters into a written agreement with the third parties, in which the roles and obligations are defined and substantiated.

3.3 Nikkei establishes necessary and sufficient communication process with the third parties to monitor their performance.

#### 4 Publication of Methodology

Nikkei publishes methodologies of the Nikkei Indexes as "Index Guidebook" on its Official Index Website which is open to public access. Index Guidebook describes the calculation of the indexes, methods to choose constituents, and other information pertaining to the indexes in reasonable detail.

#### 5 Review of the Methodology

5.1 Nikkei reviews the conditions in the underlying interests that Nikkei Indexes measure to determine whether the interests have undergone structural changes at the occasion of annual constituent reshuffle process at the IAM. Such reviews include the assessment of potential limitations of the indexes such as operations under illiquid markets or responses to the revision of the market system.

5.2 In addition to 5.1 above, IAM conducts assessment and examination of the methodologies as necessary.

5.3 If results of the reviews in 5.1 and 5.2 above suggests material changes to the methodologies are necessary, Clause 9 applies.

#### 6 Determination of the Nikkei Indexes under Market Stress

When the market stress or disruption causes the prices from the exchanges which are necessary to calculate the Nikkei Indexes unavailable, Nikkei Indexes are determined by the last fair prices received from or announced by the exchanges in accordance with the procedures described in the methodologies. However, when no such price is available, the indexes may become "Not Available". Treatment of the Nikkei Indexes under the market stress or disruption shall be published promptly.

#### 7 Revision of the Nikkei Indexes

When the following situations arise, and the revision of the Nikkei Indexes

become necessary, Nikkei may recalculate and revise the closing value of the indexes. Under such circumstances, Nikkei promptly publishes the revised indexes together with their reasons.

- (1) Revision of the closing prices of the index constituents by exchanges
- (2) Corporate actions not applied
- (3) Erroneous application of corporate actions
- (4) Corporate actions cancelled or changed
- (5) Other errors in determination of the indexes

The revision applies only to the closing value of the indexes and intraday indexes will not be revised in principle. Nikkei Indexes revisions are decided by IAM and published promptly.

## 8 Communication with Stakeholders

Nikkei prepares a Contact Form on its Official Index Website through which stakeholders submit queries and comments. Nikkei makes best efforts to promptly and appropriately respond to such queries and comments. Complaints submitted by the stakeholders are processed in accordance with "Policies for Nikkei Indexes Complaints Procedures".

## 9 Material Changes to the Methodology

9.1 Material changes are defined as the changes in the underlying interest that the Nikkei Indexes intend to measure. Material changes also include the changes in the constituent selection rules or index calculation method which makes managers of the financial products linked to the Nikkei Indexes alter the composition of the products.

9.2 Material changes are determined by the Index Committee and announced and applied with sufficient announcement period.

## 10 Cessation and Transition

Policies and procedures of cessation and transition of the Nikkei Indexes are

prescribed in the document "Policies for Nikkei Indexes Cessation and Transition".

## 11 Consultation

Nikkei consults stakeholders on the changes to the Nikkei Indexes before such changes take place. Consultation is conducted on the following subjects provided that Nikkei deems consultation is necessary in its decision making.

- (1) Material changes to the methodology as stipulated in Clause 9
- (2) Permanent cessation of an index, as stipulated in Clause 10, where the index is licensed for financial products
- (3) Regarding operations of the Nikkei Indexes other than (1) and (2)

## 12 Control of Conflicts of Interest

Nikkei Indexes are determined based on the prices formed in and delivered from the exchanges and calculated automatically in the computer systems. Due to their nature, these indexes are highly transparent and not prone to the risk of the conflicts of interest. In addition, following measures ensure the integrity and independence of the Nikkei Indexes.

12.1 Nikkei establishes the Code of Conduct based on the corporate creed of "Fair and Impartial" to build up reliability as a news media. This Code of Conducts apply to all the employees, including members of the Index Business Office.

12.2 Nikkei is not involved in creation, marketing or settlement of financial products and there is no potential conflicts of interest at corporate business level.

12.3 Nikkei's remuneration policies are not linked to the index determination process and employees are not rewarded or incentivized by the level of the indexes.

12.4 Index Business Office is responsible for all the aspects of the index administration and reporting lines are segregated from other departments of the company.

12.5 Trading and investing in the individual stocks and/or financial products linked to the Nikkei Indexes by the members of the Index Business Office are restricted by Nikkei's Insider Trading Codes.

12.6 Nikkei establishes Information Control Policies and controls the access to the information of each business unit, including the index business.

### 13 Whistleblowing Mechanism

Nikkei, at its corporate level, establishes whistleblowing mechanism where employees can report the conducts against or potentially against its Code of Conducts to the internal and external reporting centers and such reports can be anonymous.

### 14 Internal Training

For the internal rules such as Insider Trading Codes, Information Control Policies, and others, all employees are required to take in-house training courses annually. The Index Business Office holds workshops internally or by inviting lecturers in various areas to improve the knowledge and skills related to the indexes and its interests to measure.

### 15 Changes

Contents of this policy may be changed from time to time without a prior notice. Changes are made in accordance with the procedures laid down in the Nikkei's internal rules. Changes are published on Nikkei Official Index Website promptly.

[End of document]

## [Revisions]

Date	Contents
May 11, 2020	Title of Clause 9 changed from Consultation to Communication to distinguish it from Clause 11
May 11, 2020	Clause 11, Consultation is added, following clauses are re-numbered
May 11, 2020	Internal workshop is added to Clause 14