

Index Consultation Regarding the Treatment of Spin-Offs in the Nikkei Stock Average

June 9, 2025 – Sony Group Corp. (6758), a Nikkei Stock Average (Nikkei 225) constituent, announced that it is planning to spin off its financial services arm, Sony Financial Group, by directly listing it on the Tokyo Stock Exchange. As announced in “Treatment of the Partial Spin-off of Sony Group’s Financial Services Business” on May 14th, Nikkei is considering an amendment to the index methodology of the Nikkei 225 regarding treatment of spin-offs by constituent stocks including upcoming Sony Group’s case.

Following is the overview of the said amendment which we seek views and preferences. The amendment is to be applied as soon as it is decided.

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.

Accordingly, Nikkei proposes changes as follows.

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[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. 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>

[Question]

Q1: Do you agree with temporarily incorporating the spun-off stock from a Nikkei 225 component

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in the calculation of the Nikkei 225?

Q2: Do you agree with excluding the spun-off stock temporarily incorporated into the index calculation as a pro forma component on the next business day after its listing date?

Q3: 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?

Please submit your feedback to the consultation section at the following URL.

<https://indexes.nikkei.co.jp/en/nkave/governance/>

Consultation closing date: June 30, 2025 (JST)

We will inform the results of the consultation by the end of July. Although your contribution will not be published, a summary may be used in our documents preserving anonymity. Your name or your company name will not be disclosed in any case.

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(Appendix)

FAQ for Index Consultation Regarding the Treatment of Spin-Offs of the Nikkei Stock Average

Nikkei conducts the above consultation from June 9 to June 30. This FAQ is prepared to address questions that are expected to be frequently asked. Please refer to these questions if you need clarification while responding to the consultation.



Q1: Why is the spun-off stock from a Nikkei 225 component is temporarily incorporated into the index calculation of the Nikkei 225?

A1: Adjustment of the divisor for the ex-rights of the original component stock is needed to maintain the continuity of the index. For this adjustment, the price of the spun-off stock is required on the previous business day before the spin-off ex-right date. However, the price eligible for index calculation, as determined in the market, is not available before its listing. Therefore, the spun-off stock is temporarily incorporated into the index calculation between the spin-off ex-date and the listing date to compensate for the ex-rights of the original component stock. The final adjustment is made after the spun-off stock's price is determined in the market following its listing, using the market price. Note that the spun-off stock is treated as a pro-forma component, which is clearly distinguished from a regular addition.

Q2: Is it not possible to adjust the divisor using the offering price or the reference price of the spun-off company?

A2: It is theoretically feasible to adjust the divisor by using the offering price or the reference price submitted by the listing sponsor as an estimated stock price. However, we believe that making adjustments based on the price determined in the market leads to enhanced clarity and fairness in the calculation rule.

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Q3: Is the spun-off stock from the Nikkei 225 component temporarily incorporated into the calculation of the index without exception?

A3: Basically, if the spun-off company is going to be listed on the Tokyo Stock Exchange (TSE) in the short term from the spin-off ex-date, it is temporarily incorporated into the calculation of the index. However, cases where the spun-off is going to be listed on exchanges other than the TSE is not under discussion.

Q4: Why is the spun-off company from the Nikkei 225 component not continually included as a new constituent in the index?

A4: Since the spun-off stock is not a stock that undergoes the Nikkei 225's constituent selection process, it is excluded from the index calculation as soon as its stock price is determined in the market.

Q5: Why is the spun-off company excluded from the index calculation on the next business day after its listing date?

A5: We believe that the exclusion and the divisor change based on the closing price on the listing date are most appropriate, given that the liquidity of the spun-off stocks were highest on the listing date in past examples.

Q6: How are the PAFs for the original component stock and the spun-off stock that is temporarily incorporated into the index calculation set?

A6: The PAF for the original component stock does not change. The PAF for the spun-off stock that is temporarily incorporated into the index calculation is determined as follows in principle: (PAF for the original component stock) * (spin-off distribution ratio).

Q7: In what cases does the divisor require modification in spin-offs from the Nikkei 225 components?

A7: The divisor generally does not need to be changed, as the ex-rights of the original stock are compensated by incorporating the spun-off stock into the index calculation on the ex-date.

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However, the divisor is modified depending on the spin-off distribution ratio, since the PAF is set down to the first decimal point. When the PAF for the spun-off stock is determined by rounding down to the first decimal place with the formula in A6 above, the divisor is adjusted for the rounded down value. On the next business day after the listing date, the divisor is adjusted in the same way as changes in the constituents, responding to the exclusion of the spun-off stock that was temporarily incorporated into the index calculation.

Q8: Does the treatment differ depending on whether the spun-off company is listed through direct listing or not?

A8: In direct listing, the TSE will implement necessary revisions to enable the listing of the spun-off company's shares from the ex-date of the original company. On the listing date (the ex-date), the spun-off company's price used for the index calculation is determined by the following priority, in the same way as regular components: 1. Special Quote, Sequential Trade Quote or Temporary Quote, 2. Traded price, and 3. Base price. The Base price in this case is the reference price submitted by the listing sponsor. However, when the spun-off company is listed through pathways other than direct listing, there is a delay of at least two days between the ex-date and the listing date. During this period, the offering price of the spun-off stock is used in the index calculation since there is no eligible price determined in the market. Its price on the listing date is determined in the same manner as when listing through a direct listing. Note that the Base price in this case is the offering price.

Q9: The Nikkei Stock Average DP Index Guidebook (Japanese edition) states that "However, in cases where a Non-cash Dividend (securities, etc.) that is easily measured at fair value is declared, and if Nikkei deems it necessary (in case of not changing the divisor etc), the Non-cash Dividend may be included with advance notice, while ensuring the consistency with the calculation method and the methodology of the Nikkei average." Does this rule apply to spin-offs?

A9: Spin-offs are not included in the Nikkei Stock Average DP Index, since the proposed amendment to the calculation rule adjusts spin-offs in the Nikkei 225. The description in question indicates that in-specie dividends may be included in the Nikkei Stock Average DP

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Index only when they are not adjusted in the Nikkei 225 calculation.



If you have any other questions, please submit them using the form below. Please select “Index Consultation” from the inquiry item list. We will summarize and address your questions by updating this document as necessary.

https://www1.entryform.jp/nikkei_indexes_contact_en/

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