

TSE Index Guidebook
(TOPIX High Dividend Yield 40 Index)

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JPX Market Innovation & Research, Inc.

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Record of Changes

DATE	Changes
2017/8/9	• The first edition
2018/7/23	• Clarification of the treatment of “Rights Offering” and “Gratis Allotment of Shares”
2019/8/30	• Modified an error
2020/3/31	• Revised the date for adjusting base market value following the shortening of stock settlement cycle to T+2
2020/6/30	• Revision to bring forward the date for minor adjustments related to ex-dividend
2020/12/25	• Clarification of the stock price used for calculation, etc.
2022/4/4	• Revisions pertaining to cash equity market restructuring • Added revisions with regard to the business transfer to JPXI (applied on April 1, 2022 retroactively)
2023/2/13	• Revised the structure of the provisions regarding formulas, etc. so that they are in accordance with "Index Calculation Guidebook" • Clarified criteria for the eligible constituents in the periodic review
2024/1/31	• "Securities on Alert" was renamed to “Securities on Special Alert”.
2025/1/31	• Uniformity of terminology in each calculation methodology
2025/7/31	• Added the handling of spin-offs

Introduction

- JPX Market Innovation & Research, Inc. (JPXI) calculates and distributes the TOPIX High Dividend Yield 40 Index in accordance with the methods described in this document. If an event not specified in this document occurs, or if JPXI determines that it is difficult to use the methods described in this document, JPXI may use an alternative method of index calculation as it deems appropriate.
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I . Outline of Index

- The TOPIX High Dividend Yield 40 Index is composed of 40 issues with relatively high latest actual dividend yields, selected from among constituents of TOPIX 100. These constituents are selected based on the actual dividends of each issue and on the stock prices on the periodic selection base dates.
- A periodic review of constituents will be conducted once a year (on the last business day of June).
- The base date for index calculation is August 25, 2017. The base value is 1,000 points.

II. Index Calculation

1. Calculation Method

- The calculation formula shall be the market capitalization weighting formula specified in the Index Calculation Guidebook.
- FFW ratio used in TOPIX High Dividend Yield 40 Index is the FFW ratio after cap-adjustment (FFW ratio after applying a liquidity factor as set in the Free Float Weight Calculation Methodology and the TOPIX cap-adjustment ratio (no transition factor applied) multiplied by the cap-adjustment factor) with a maximum 5.0% constituent ratio based on market capitalization weight on the periodic selection base date. The cap-adjustment factor will not be changed until the last business day of the following June, even if the constituent's weight exceeds the upper limit due to stock price fluctuations or other reasons after the factor has been applied.

However, in cases where there is a considerable change in the constituent weight due to, for example, a periodic review of the free float weight described below or corporate consolidation, merger, acquisition, etc. of a TOPIX High Dividend Yield 40 Index constituent, an extraordinary revision of the cap-adjustment ratio of constituents may be conducted.

2. Index Type

- JPXI calculates both price and total return versions of TOPIX High Dividend Yield 40 Index.
- The method of reflecting dividends in index values is in accordance with "Index Calculation Guidebook".

3. Constituent Inclusion and Removal

(1) Periodic Review and Other Details

a. Date of Periodic Review and Other Details

- The base dates of the periodic review (hereinafter "periodic review base date") shall be the last business day of May. The periodic review shall be conducted once a year on the last business day of June (hereinafter "periodic rebalance date").
- The results of the constituent selection shall be posted on the JPX website on the fifth business day prior to the periodic rebalance date.

b. Constituent Selection Process

- The selection process is conducted as follows.

(i) Eligible constituents

- Issues selected as constituents of TOPIX 100 as of the periodic review base date are eligible. However, issues that fall under either of the following cases are excluded from the list of eligible constituents as of the periodic review base date. In principle, issues will also be excluded from the constituent universe if they are found to fall under the criteria for exclusion between the rebalance base date and the announcement of the periodic review results.
 - Securities to Be Delisted
 - Securities on Special Alert

(ii) Calculation of actual dividends in the most recent year

- Actual dividends are dividend-per-share figures as released in earnings reports. Actual dividends in the most recent year are, from earnings reports released by listed companies as of the base date, the total dividends for the period from April of the year preceding the year that contains the periodic review base date to the latest March, provided that these have reached the ex-rights date. However, if levels of stock prices fluctuate as of the periodic review base date due to stock splits or reverse splits, etc., the dividends are revised to levels comparable to the stock price levels as of the periodic review base date. In addition, dividends may be adjusted if JPXI deems that such dividends need adjustment in light of comparability with other constituents due to changes of accounting period, etc.

(iii) Calculation of dividend yields

- Dividend yields are produced by dividing the actual dividend (in the most recent year) by the stock price. The stock price used in dividend yield calculation is the stock price used for index calculation of a constituent, which is the stock price used when calculating the last index price on the periodic review base date. (For more details, see "Index Calculation Guidebook".)

(iv) Selection of constituents

- For the first round of constituent selection, 40 constituents are selected in descending order of the high dividend yield calculated in (iii).
- In subsequent selections, previous constituents whose dividend yields rank within the top 50 based on the calculation in (iii) are selected once again. If the number of constituents is less than 40, new constituents are selected in descending order of high dividend yield until the number of constituents reaches 40.

(2) Non-periodic Removal from Constituents

- Constituents that have been delisted, designated as Securities to Be Delisted, or designated as Securities on Special Alert shall be removed.

(3) Non-periodic Inclusion to Constituents

- When a constituent has been delisted due to a share transfer, merger, share exchange, or company split (hereinafter “share transfer, etc.”), and the newly created, surviving, parent, or succeeding company is listed without delay, said company (hereinafter “newly created company, etc.”) will be included in the index.
- When a spin-off (an allocation of shares of a spun-off subsidiary or business division through surplus dividends) of a constituent results in a new listing of the company that has become independent via the spin-off (hereinafter “spun-off company”) between the ex-rights date and the effective date, the spun-off company will be included in the index.
- When a constituent has been delisted due to a share exchange or absorption-type merger, and the surviving or parent company is not a constituent, then said company will be included in the index.
- on-periodic inclusion will not be conducted when the number of constituents falls below 40 as a result of non-periodic removal.

(4) Dates of constituent inclusion and removal

	Event Requiring Adjustment		Adjustment Date
Inclusion	Initial listing	When a constituent has been delisted due to a share transfer, etc. and the resulting newly created company, etc. is included as a constituent	Initial listing date (*)
		When a spin-off of a constituent results in a new listing of the spun-off company between the ex-rights date and the effective date	Initial listing date (*)
	When a constituent has been delisted due to a share exchange or absorption-type merger, and the surviving or parent company, which was not a constituent, is included as a constituent		Delisting date (*)
	Periodic review		Last business day of June
Removal	Delisting	When a constituent has been delisted due to a share transfer, etc. and the resulting newly created company, etc. is included as a constituent	Initial listing date of the newly created company (normally two business days following the delisting date) (*)
		Other than the above (e.g., non-surviving company as a result of a merger, share exchange, etc.)	Delisting date (*)
	Designation as Securities to be Delisted or Securities on Special Alert		Four business days after such a designation (*)
	Periodic review		Last business day of June

* Next business day when the date in question falls on a non-business day.

III. Other

1. Distribution of Index Values and Index Data

(1) Index Values

- The daily closing values of TOPIX High Dividend Yield 40 Index are distributed.

(2) Index Data

- Daily index data (e.g. base market value) is distributed through the Index Data Service.

2. Licensing

- JPXI and/or its affiliates reserve all calculation, distribution, publication, usage, and other rights pertaining to TOPIX High Dividend Yield 40 Index. Because of this, the use of TOPIX High Dividend Yield 40 Index in the composition and/or sale of financial products such as funds or linked bonds (including its use as the basis for options, swaps, warrants, or other OTC derivatives) requires a license from JPXI. A license from JPXI is also required for the provision, distribution, etc. of TOPIX High Dividend Yield 40 Index to third parties.

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