

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”.

## **Introduction**

- JPX Market Innovation & Research, Inc. (hereinafter the “JPXI”) calculates and publishes 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.

## **II. Index Calculation**

### **1. Formula**

- The TOPIX High Dividend Yield 40 Index is calculated using market capitalization weighting.
- The formula, adjustment of base market value, etc. are in accordance with "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 coefficient) with a maximum 5.0% constituent ratio based on market capitalization weight on the periodic selection base date. In cases where the cap is exceeded following periodic selection, the cap-adjustment ratio shall not be altered until the periodic selection application date of the following year.
- 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. Inclusion or Removal of Constituents**

#### **(1) Periodic Review**

##### **a. Summary**

- At the periodic review conducted every June, constituents of TOPIX 100 are included in and removed from the TOPIX High Dividend Yield 40 Index based on the Selection Criteria in b. as of the base date.
- The base date for the periodic review is the final business day of May of each year. The list of constituent changes is published on the fifth business day prior to the last business day of June, and index calculation applying such constituent changes begins on the last business day of June.

## **b. Selection Criteria**

- The selection process is conducted as follows.
  - (i) Eligible constituents
    - Issues selected as constituents of TOPIX 100 as of the base date are eligible. However, issues that fall under either of the following cases are excluded from the list of eligible constituents. 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.
      - Issues designated as Securities to be Delisted as of the base date
      - Issues designated as Securities on Special Alert as of the base date
  - (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 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 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 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 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) Removal of Constituents in addition to the Periodic Review**

- In cases where constituents are delisted, designated as Securities to be Delisted, or designated as Securities on Special Alert, they shall be removed from the TOPIX High Dividend Yield 40 Index.

**(3) Inclusion of Constituents in addition to the Periodic review**

- In the event a constituent of the TOPIX High Dividend Yield 40 Index is delisted due to a stock transfer, stock swap, merger for creating a new company or demerger, and, moreover, the newly created, surviving, or succeeding company is listed without delay, if the delisted issue was a constituent of TOPIX High Dividend Yield 40 Index, then JPXI adds the new issue to the index.
- In the event a constituent of the TOPIX High Dividend Yield 40 Index is delisted due to a stock swap or absorption-type merger, in which stocks of the surviving company or the parent company holding all shares of the constituent company is not a constituent of the TOPIX High Dividend Yield 40 Index, then JPXI adds stocks of the surviving company or the parent company to the index.
- Even if the number of constituents in the TOPIX High Dividend Yield 40 Index decreases between periodic reviews due to the removal of constituents by means other than the periodic review as described in the previous item (2), no supplementary inclusions are made to meet the intended number of constituents (inclusions to meet the intended number of constituents are only made during the periodic review in June).

#### (4) Dates of constituent inclusion and removal

	Event Requiring Adjustment		Adjustment Date
Inclusion		New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a TOPIX High Dividend Yield 40 Index constituent being delisted and the new company being included in the TOPIX High Dividend Yield 40 Index	New listing date (*2)
		Delisting of a constituent of the TOPIX High Dividend Yield 40 Index due to a stock-swap or absorption-type merger in which stocks of the surviving company or the parent company holding all shares of the constituent company is not a constituent of the TOPIX High Dividend Yield 40 Index	Delisting date
		Periodic review in June	Last business day of June
Removal	Delisting	New listing of a newly formed company resulting from a corporate consolidation, etc. (*1) that results in a TOPIX High Dividend Yield 40 Index constituent being delisted and the new company being included in the TOPIX High Dividend Yield 40 Index	New listing date of the newly formed company (normally two business days following the delisting date)
		Delisting other than those stated above (e.g. non-surviving company as a result of merger/acquisition, etc.)	Delisting date
		Designation as Securities to be Delisted or Securities on Special Alert	Four business days after such a designation (*3)
		Periodic review in June	Last business day of June

\*1: Stock transfer, stock swap, merger for creating a new company, or demerger.

\*2: Next business day when the new listing date falls on a holiday

\*3: If the date of designation as Securities to be Delisted or Securities on Special Alert falls on a holiday, it will be the fifth business day.



### **III. Other**

#### **1. Publication/Dissemination of Index Data**

##### **(1) Index Values**

- The Price Return Index and Total Return Index of the TOPIX High Dividend Yield 40 Index are calculated daily at market close.

##### **(2) Index Data**

- Index data relating to the TOPIX High Dividend Yield 40 Index (base market value, number of shares for each constituent, etc.) is provided for a fee through the Index Data Service.

#### **2. Licensing**

- JPXI and/or its affiliates reserve all calculation, publication, and other rights pertaining to the TOPIX High Dividend Yield 40 Index. As such, commercial use of such indices in the composition and/or sale of financial products such as funds or linked bonds (including using the index as the basis for options, swaps, warrants, or other OTC derivatives) or provision of index data requires a license from JPXI.

#### **3. Contact**

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