

(Reference Translation)

TSE Index Guidebook

(TOPIX High Dividend Growth Index)

January 26, 2026
JPX Market Innovation & Research, Inc.

Published: January 26, 2026

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Record of Changes

Date	Changes
2025/12/12	• Launch
2026/1/26	• Clarification of the description regarding the timing of the first periodic review, etc.

Introduction

- JPX Market Innovation & Research, Inc. (JPXI) calculates and distributes the TOPIX High Dividend Growth 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 Growth Index is an index consisting of 50 constituents selected from the constituents of TOPIX 500, focusing on growth potential and dividend yield, etc.
- The base date for the TOPIX High Dividend Growth Index is January 16, 2026. The base value is 1,000 points.

II. Index Calculation

1. Calculation Method

- The calculation formula shall be the non-market capitalization weighting formula specified in the Index Calculation Guidebook.

2. Index Type

- JpxI calculates both price and total return versions of the TOPIX High Dividend Growth Index.
- The method of reflecting dividends in index values is in accordance with the Index Calculation Guidebook.

3. Constituent Inclusion and Removal

(1) Periodic Review and Other Details

a. Date of Periodic Review and Other Details

- The periodic review of constituents will be conducted on the last business day of February and August (twice a year), and the base date for the periodic review (hereinafter "the rebalance base date") will be the last business day of most recent December and June. However, the base date for the initial selection is the last business day of November, 2025, and the periodic review will be conducted from the last business day of August 2026 (with the rebalance base date being the last business day of June, 2026).
- The results of constituent selection will be published on the JPX website on the fifth business day of February and August.

b. Constituent Selection Process

The selection process shall be conducted as follows:

Additionally, "Winsorization," "Standardization," and "Long-term Growth Rate" shall be as defined in "(4) Definitions of Terms." The free float weight used to calculate the free-float adjusted market capitalization shall be the free float weight used to calculate TOPIX's index value.

(a) Selection of the Index Universe

- The index universe shall be the constituents of TOPIX 500 as of the rebalance base date. However, issues that fall under any of the following criteria shall be excluded.
 - Securities to Be Delisted as of the rebalance base date
 - Securities on Special Alert as of the rebalance base date

(b) Selection of the Eligible Issues for Investment

- Of the index universe selected in (a) above, issues that meet all of the following conditions shall be regarded as eligible issues for investment.

#	Indicator	Condition
1	Financial results report information (provided by Tokyo Stock Exchange, Inc. that covers fiscal periods up to three months prior to the month containing the rebalance base date)	Available for at least the most recent 3 fiscal periods
2	Dividend payout ratio for the most recent fiscal period (calculated as total dividends for the period divided	2 or less (200% or less)

	by net income for the period)	
3	Net income for the most recent fiscal period	Greater than 0
4	Total dividends for the most recent fiscal period	Greater than 0

(c) Selection of the Issues for Investment

- Of the eligible issues for investment selected in (b) above, issues that do not fall under any of the following conditions shall be regarded as issues for investment.

#	Indicator	Condition
1	Long-term sales growth rate	Bottom 10%
2	Long-term net income growth rate	Bottom 10%
3	Price-to-book ratio (PBR) for the most recent fiscal period (Value obtained by dividing the market capitalization on the rebalance base date by the net assets at the end of the most recent fiscal period)	Bottom 5%
4	Equity ratio for the most recent fiscal period (Value obtained by dividing shareholders' equity at the end of the most recent fiscal period by total assets for the same period)	Bottom 5%

(d) Calculation of Overall Weight Score

- For the issues for investment selected in (c) above, the growth score, dividend yield score, and size score shall be calculated according to the following procedures, and the overall weight score shall be calculated based on these scores.

- Calculate the growth score.
 - Standardize the following indicators.

#	Indicator
1	Long-term sales growth rate
2	Long-term net income growth rate
3	Price-to-book ratio (PBR) for the most recent fiscal period
4	Equity ratio for the most recent fiscal period

- Based on the standardized indicators, calculate the following values.

$$\frac{[\text{Sales growth rate } (\#1)]}{4} + \frac{[\text{Net income growth rate } (\#2)]}{4} + \frac{[\text{PBR } (\#3)]}{4} + \frac{[\text{Equity ratio } (\#4)]}{4}$$

- Standardize the calculated values and winsorize them within the range of 0

to 2.

② Calculate the dividend yield score.

Calculate the value obtained by subtracting the dividend yield of TOPIX (calculated by summing the values obtained by multiplying the most recent fiscal period's dividends for each TOPIX constituent by the free-float ratio as of the rebalance base date, and dividing this sum by the free-float market capitalization of TOPIX as of the rebalance base date) from the dividend yield of each issue for investment (calculated by dividing the total dividends for the most recent fiscal period by the market capitalization as of the rebalance base date), and then standardize the result.

③ Calculate the size score.

Calculate the percentage weight of each stock in TOPIX as of the rebalance base date (with an upper limit of 0.5).

For example, a stock with a weight of 0.2% is assigned a value of 0.2, while a stock with a weight of 2.3% is assigned a value of 0.5.

④ Calculate the overall weight score.

Add the size score to the sum of the growth score and the dividend yield score (with an upper limit of 3).

(e) Selection of Constituents and Calculation of Adjustment Factors

- Based on the overall weight scores calculated in (d) above, the constituents shall be selected and the adjustment factors determined as follows.
- However, if any of the 50 selected stocks have a forecasted year-end dividend of zero (no dividend) in the most recent financial results report disclosed by the rebalance base date, or if any stocks are designated as Securities to be Delisted or Securities on Special Alert, or are expected to be delisted in the future due to share transfers or other reasons, the final selection of constituents may be adjusted as necessary.

① Initial Selection

The top 50 issues with the highest overall weight scores from among the issues for investment shall be selected as the index constituents. In the case of a tie, the stock with the larger free-float market capitalization in TOPIX shall be selected.

② Periodic Review

The top 45 issues with the highest overall weight scores from among the constituents of the index as of the rebalance base date shall be selected as index constituents. In addition, to bring the total number of constituents to 50, additional issues shall be selected from the issues for investment in descending order of overall weight score.

③ Adjustment Factor

The total of the overall weight scores for the selected constituents shall be adjusted to equal 100 (by multiplying by a constant), and an adjustment factor shall be calculated so that this value becomes the weight of each constituent as of the rebalance base date.

(2) Non-periodic Removal from Constituents

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

(3) Non-periodic Inclusion into 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 company, surviving company, parent company, 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 a 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.

(4) Definitions of Terms

① Winsorization

For indicators subject to winsorization, if the value exceeds the specified range, it is treated as the upper limit of the range; if it falls below the specified range, it is treated as the lower limit of the range.

② Standardization

For indicators subject to standardization, perform the following procedures:

- A) Winsorize the values of the relevant indicators from among the group of issues subject to standardization to values within the range of 5th lowest to 5th highest.
- B) Subtract the mean values of the relevant indicators for the group of issues subject to standardization from the values of the relevant indicators from among the group of issues subject to standardization and then divide by the standard deviation of the relevant indicators for the group of issues subject to standardization (i.e., perform Z-score transformation).
- C) Winsorize the Z-score-transformed values of the relevant indicators within the range of -3 to 3 (however, for the dividend yield score only, within the range of 0 to 2).

③ Long-term Growth Rate
 The value (%) obtained by dividing the regression coefficient from the linear regression of the relevant indicators based on the most recent five fiscal periods (if unavailable, four periods; if still unavailable, three periods) of financial results reports (if the accounting period is not 12 months, adjust to a 12-month equivalent) by the average value of the annual data of the relevant indicators.

(5) 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 February and August
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, etc. (normally two business days following the delisting date) (*)

	Event Requiring Adjustment	Adjustment Date
	Other than the above (e.g., non-surviving company as a result of a merger, share exchange, etc.)	Delisting date (*)
	Designation as a Security to be Delisted or a Security on Special Alert	Four business days after the date of designation (*)
	Removal from TOPIX	Date of removal from TOPIX
	Periodic review	Last business day of February and August

* 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 the TOPIX High Dividend Growth 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 the TOPIX High Dividend Growth Index. Because of this, the use of the TOPIX High Dividend Growth 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 JPIX. A license from JPIX is also required for the provision, distribution, etc. of the TOPIX High Dividend Growth Index to third parties.

3. Contact

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