

Tokyo Stock Exchange

Dividend Index Guidebook



This amendment was made due revision to the index methodology regarding the issues de-listed on the ex-dividend date due to stock transfer, etc.

October 2010 Version

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Table of Contents

1 . Introduction	2
2 . Outline.....	3
(1) Outline	3
(2) Target indices used for calculating Dividend Indices.....	3
3 . Calculation Method	4
4 . Others	7
(1) Publication	7
(2) Licensing	7
(3) Contact.....	7

1 . Introduction

- Tokyo Stock Exchange, Inc. (TSE) calculates and publishes dividend indices which index the amount of dividends to be obtained if the component stocks of the indices calculated by the TSE (hereafter "Dividend Indices" or "Dividend Index") were held during the index calculation period in accordance with the methods described in this document. When an event that is not specified in this document occurs, or if the TSE decides it is impossible to use the methods described in this document, the TSE may use an alternative method of index calculation as it deems appropriate.
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2. Outline

(1) Outline

- Dividend Indices indicate, in points, the amount of dividends to be obtained if the component stocks of the target indices were held during the index calculation period.
- Specifically, the value of the index shall be the value V totaled during the period from the first business day of the target year to the date of calculation, where V is the ratio of (a) the product of the dividends for each component stock multiplied by the number of shares for index calculation versus (b) the base market capitalization of the target index, totaled for the component stocks of the index on a given day. The period of index calculation shall be from the first business day of January each year until the last business day of March of the following year. Therefore, Dividend Indices based on new calculation periods are calculated and published every year.
- Additionally, estimated dividends shall be used for the amount of dividends for each component in index calculation. In cases where estimated dividends differ from those publicized in earnings reports (*kessan tanshin*), the difference is reflected in index calculation on the 7th day of the third month following the month containing the ex-dividend date (estimated dividends and those publicized in earnings reports are the same as dividends used in the calculation of TSE's total return indices).

(2) Target indices used for calculating Dividend Indices

- The following indices are used for calculating Dividend Indices.
 - a. TOPIX
 - b. TOPIX Core30

3. Calculation Method

- A Dividend Index is the sum total of Dividend Index values during the index calculation period (from the first business day of January each year until the last business day of March the following year). As a general rule, the index value changes on ex-dividend dates and final adjustment dates for dividends. Therefore, the index value shall be zero until the first ex-dividend date of the component stocks of the underlying index.
- The index value is indicated in points, not in yen, and rounded off to two decimal places.

a. Calculation of index value on ex-dividend dates

Index Value on the previous business day of ex-dividend dates + [Total amount of dividends on ex-dividend date / BMV (i.e. base market capitalization) on ex-dividend date] x Base point of the underlying index

- Amount of dividend for each component stock = The number of stocks (free-float adjusted) for index calculation on the business day prior to the ex-dividend date x estimated dividends
- Total amount of dividends = Total amount of dividends for each component stock

Base points of the underlying indices: 100 for TOPIX and 1000 for TOPIX Core30

b. Calculation of index value on final adjustment dates for dividends

Index Value on the previous business day of final adjustment date for dividend + [Total dividend final adjustment amount on final adjustment date for dividend / BMV of the underlying index on the ex-dividend date] x Base points of the underlying index

- Ex-dividend adjusted amount for each component stock = The number of stocks (free-float adjusted) for index calculation on the business day prior to the ex-dividend date x (Dividends publicized in the earnings report – Estimated dividends)
- Total dividend final adjustment amount on the final adjustment day = Total of dividend final adjustment amounts for each component stock
- BMV of the underlying index on the ex-dividend date = Base Market Value of the underlying index on the ex-dividend date corresponding to the final adjustment
- Base points of the underlying indices: 100 for TOPIX and 1000 for TOPIX Core30

c. Others

- Final adjustments for dividends shall be made on the 7th day of the third month following the month of the ex-dividend date (if this day falls on a holiday, it will be brought forward).
- As a general rule, only cash dividends (including special dividends and commemorative dividends) shall be subject to index calculation. However, in cases where a non-cash dividend (securities, etc.) that is easily measured at fair value is issued, and if the TSE deems it necessary, the non-cash dividend may be included with advance notice.
- Special benefits for shareholders shall not be included.
- Final adjustments for dividends shall be performed based on "information disclosed by the third business day prior to the ex-dividend adjustment date". However, the TSE will conduct

additional final adjustments if the TSE deems that a modification to dividend, which is publicized during a period other than that mentioned above, will have a material impact on index value.

《Months containing ex-dividend dates and corresponding final adjustment dates for dividends in 2010》

Month containing ex-dividend date	Corresponding final adjustment date for dividends	Remarks
Jan. 2010	Apr. 7, 2010	Ex-dividends from Jan. 2010 are reflected in the index.
Feb. 2010	May 7, 2010	
Mar. 2010	Jun. 7, 2010	
Apr. 2010	Jul. 7, 2010	
May 2010	Aug. 6, 2010	
June 2010	Sep. 7, 2010	
Jul. 2010	Oct. 7, 2010	
Aug.2010	Nov. 5, 2010	
Sep. 2010	Dec. 7, 2010	
Oct. 2010	Jan. 7, 2011	
Nov. 2010	Feb. 7, 2011	
Dec. 2010	Mar. 7, 2011	Final adjustments (for dividends) until March 2011 are reflected in the index.

(Example of Dividend Index calculation: B.P. of underlying index is 100. (No final adjustments))

Company (Components)	Ex-dividend date	Amount of dividend (a)	No. of shares on the day preceding the ex-dividend date (reflecting free float weight) (b)	The total amount of dividends (c) = (a)X(b)	BMV of the underlying index on the ex-dividend date (d) (*)	(e) = (c)/(d)
Company A	2010/1/27	10.00	100,000	1,000,000	4,000,000	0.25
Company B	2010/3/29	20.00	150,000	3,000,000	4,000,000	0.75
Company C	2010/5/27	15.00	1,000,000	15,000,000	4,000,000	3.75
Company D	2010/6/28	5.00	200,000	1,000,000	4,000,000	0.25
Company A	2010/7/28	10.00	120,000	1,200,000	4,000,000	0.30
Company B	2010/9/28	25.00	1,500,000	37,500,000	4,000,000	7.50
Company C	2010/11/26	10.00	1,000,000	10,000,000	4,000,000	2.50
Company D	2010/12/28	5.00	200,000	1,000,000	4,000,000	0.25

(Sum total of the above ①) 15.55

(Index Value = ①x100) 1,555.00

This example is for the purpose of understanding the calculation method. The amounts of dividends etc. are different from the real data.

(*) BMV of TOPIX as of June 30, 2010 = JPY 20,154,654,760,813

● General Rules

- Estimated dividends (a) are calculated for index calculation based on ex-dividend dates. Therefore, the index value shall be zero (0) from the first day of calculation to the first ex-dividend date.
- The total amount of dividends (c) = Dividend (a) X The number of issued shares (reflecting free float weight) as of ex-dividend date (b)
- (e) = (c) / BMV (i.e. base market capitalization) on the ex-dividend date (d)
- In cases where BMV is modified in response to corporate actions, the BMV shall be different at the time of annual and semi-annual dividends.
- The sum total of (e) until the index calculation date shall be the Dividend Index.
- In the case that estimated dividends and actual dividends are different, the estimated dividends are modified later.
- Special and commemorative dividends other than annual and semi-annual dividends are handled in the same manner.
- The sum total of dividends is calculated from January 1 to December 31. (The index is calculated until the end of March to fix the dividends of December.)
- The calculation of Dividend Indices for 2010 begins on January 4, 2010 and ends on March 31, 2011.

4 . Others

(1) Publication

- Dividend Indices are published on the TSE website.

(2) License agreement

- Dividend Indices calculated and published by the TSE are the intellectual property of the TSE. All rights regarding such indices including but not limited to calculation, publication, dissemination, and use of Dividend Indices are reserved by the TSE.
- A license agreement is required when using the indices to create or sell financial products such as funds and linked bonds (including OTC derivatives such as options, swaps, warrants, etc.). Such agreement is also required when using the indices for commercial purposes such as dissemination to third parties.

(3) Contact

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