

**S&P Dow Jones
Indices**

A Division of **S&P Global**

S&P Japan 500 Buyback Indices *Methodology*

January 2019

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Introduction

Index Objectives

The S&P Japan 500 Buyback Indices comprise the following:

S&P Japan 500 Buyback Index. The index is designed to measure the performance of 50 stocks from the S&P Japan 500 with the highest buyback ratios that meet the liquidity requirement. Constituents are equally weighted.

S&P Japan 500 Buyback FCF Index. The index is designed to measure the performance of 30 stocks from the S&P Japan 500 with more stringent liquidity requirements, high buyback ratios & high free cash flow yields. Constituents are weighted by the Free Cash Flow Yield (FCFY), subject to a single stock cap of 7.5%.

S&P Japan 500 Buyback PE Index. The index is designed to measure the performance of 30 stocks from the S&P Japan 500 with more stringent liquidity requirements, high buyback ratios & high earnings yields. Constituents are weighted by the Earnings Yield (EY), subject to a single stock cap of 7.5%.

Highlights

The indices are rebalanced quarterly, effective after the market close of the third Friday in January, April, July, and October. The rebalancing reference date is after the close of the last business day of the month prior to a rebalancing month.

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology	Equity Indices Policies & Practices
S&P Dow Jones Indices' Index Mathematics Methodology	Index Mathematics Methodology

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

Eligibility Criteria and Index Construction

S&P Japan 500 Buyback Index

Index Universe. The index draws its universe from the S&P Japan 500.

Liquidity. Stocks must have a minimum three-month Average Daily Value Traded (3M ADVT) of US\$ 3 million to be eligible for index inclusion.

Constituent Selection. Constituent selection is follows:

1. The stocks in the universe that meet the liquidity criteria form the eligible universe for the index.
2. The buyback ratio is calculated for each stock in the eligible universe. The buyback ratio is calculated as the monetary amount of cash paid for common shares repurchased during the observation period¹ divided by the company's total market capitalization of common shares at the beginning of the observation period.
3. Constituents are then ranked in descending order based on the buyback ratio. The 50 stocks with the highest buyback ratio form the final index composition.

Constituent Weighting. Index constituents are equally weighted.

¹ The observation period is defined as four quarters ending one quarter prior to the index rebalancing reference date.

S&P Japan 500 Buyback FCF Index

Index Universe. The index draws its universe from the S&P Japan 500.

Liquidity. Stocks must have a minimum 3M ADVT of US\$ 7 million to be eligible for index inclusion.

Constituent Selection. Constituent selection is follows:

1. Companies without free cash flow data as of the rebalancing reference date are excluded from the universe, the rest of the stocks that meet the liquidity criteria form the eligible universe for the index.
2. The buyback ratio is calculated for each stock in the eligible universe. The buyback ratio is calculated as monetary amount of cash paid for common shares repurchased during the observation period divided by the company's total market capitalization of common shares at the beginning of the observation period. The top 50 stocks with the highest buyback ratio form the sub-universe for this index.
3. The FCFY is calculated for each stock in the sub-universe. FCFY is computed by taking the latest available fiscal year Free Cash Flow divided by the total market capitalization of the company used for the buyback ratio calculation.
4. The stocks in the sub-universe then ranked in descending order based on the FCFY, the top 30 stocks with the highest FCFY form the final index composition.

Constituent Weighting. Index constituents are weighted by FCFY, subject to a single stock cap of 7.5%, with any excess weight redistributed to other stocks on a pro-rata basis.

S&P Japan 500 Buyback PE Index

Index Universe. The index draws its universe from the S&P Japan 500.

Liquidity. Stocks must have a minimum 3M ADVT of US\$ 7 million to be eligible for index inclusion.

Constituent Selection. Constituent selection is follows:

1. Companies without trailing 12-month earnings per share as of the rebalancing reference date are excluded from the universe, while the remaining stocks meeting the liquidity criteria form the eligible universe for the index.
2. The buyback ratio is calculated for each stock in the eligible universe. The buyback ratio is calculated as the monetary amount of cash paid for common shares repurchased during the observation period divided by the company's total market capitalization of common shares at the beginning of the observation period. The 50 stocks with the highest buyback ratio form the sub-universe for this index.
3. The EY is calculated for each stock in the sub-universe. EY is computed by dividing the trailing 12-month earnings per share by the price on the rebalancing reference date.
4. The stocks in the sub-universe are then ranked, in descending order based on the EY, with the 30 stocks with the highest EY forming the final index composition.

Constituent Weighting. Index constituents are weighted by EY, subject to a single stock cap of 7.5%, with any excess weight redistributed to other stocks on a pro-rata basis.

Index Maintenance

Rebalancing

Index rebalancings occur quarterly, effective after the close on the third Friday of January, April, July, and October of each year. The rebalancing reference dates are after the close of the last business day of December, March, June and September, respectively.

Additions. With the exception of spin-offs, an index addition is only made during the quarterly rebalancings.

Deletions. A stock can be deleted from an index due to corporate events such as merger and acquisitions, takeovers, delistings, or bankruptcies. Constituents removed from the S&P Japan 500 are removed from the indices simultaneously.

Corporate Actions

Corporate Action	Adjustment Made to the Index	Divisor Adjustment?
Spin-off	The spun-off company is added to all the indices of which the parent company is a constituent at a zero price at the market close of the day before the ex-date (with no divisor adjustment). If the spun-off company is determined to be ineligible to remain in the index, it is removed after at least one day of regular trading (with a divisor adjustment).	
Rights Offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Split	Index shares are multiplied by and the price is divided by the split factor.	No
Share Issuance or Share Repurchase	None. Actual shares outstanding of the company play no role in the daily index calculation.	No
Special Dividends	The price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Delisting, acquisition or any other corporate action resulting in the deletion of the stock from the S&P Japan 500.	The stock is dropped from the index. This will cause the weights of the rest of the stocks in the index to change proportionately. Additions are made to the index only at the time of the quarterly rebalancing.	Yes

For more information, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Currency, Currency Hedged, and Risk Control Indices

The indices are calculated in Japanese yen and U.S. dollars.

Real-time spot Forex rates, as supplied by Reuters, are used for ongoing index calculation. The end-of-day value of the index is calculated using the real-time spot exchange rate provided by Reuters at the time the index is closed.

Additional currency, currency hedged, and risk control versions of the indices may be available. For a list of available currency, currency hedged, and risk control indices, please contact Client Services at index_services@spglobal.com.

For more information on currency, currency hedged, and risk control indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.

Other Adjustments

In cases where there is no achievable market price for a stock being deleted, it can be removed at a zero or minimal price at the Index Committee's discretion, in recognition of the constraints faced by investors in trading bankrupt or suspended stocks.

Base Date and History Availability

The index history availability, base date and base value are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P Japan 500 Buyback Index	10/17/2014	01/16/2004	01/16/2004	1000
S&P Japan 500 Buyback FCF Index	09/04/2014	01/16/2004	01/16/2004	1000
S&P Japan 500 Buyback PE Index	06/23/2015	01/16/2004	01/16/2004	1000

Index Data

Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“.SDL”).

For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology.

For more information on the calculation of return types, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.

Index Governance

Index Committee

S&P Dow Jones Indices' Asia Indices Index Committee maintains the indices. All committee members are full-time professional members of S&P Dow Jones Indices' staff. The Committee meets regularly. At each meeting, the Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Index Policy

Announcements

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily ftp to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

For more information, please refer to the Announcements section of S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Pro-forma Files

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the indices rebalance. The pro-forma file is typically provided daily in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on prices seven business days prior to the rebalancing, the actual weight of each stock at the rebalancing differs from these weights due to market movements.

Please visit www.spdji.com for a complete schedule of rebalancing timelines and pro-forma delivery times.

Holiday Schedule

The indices are calculated daily, throughout the calendar year. The only days an index is not calculated are on days when all exchanges where the index's constituents are listed are officially closed.

A complete holiday schedule for the year is available on S&P Dow Jones Indices' Web site at www.spdji.com.

Rebalancing

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

Unexpected Exchange Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Contact Information

For questions regarding an index, please contact: index_services@spglobal.com.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at www.spdji.com, major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

Tickers

The table below lists headline indices covered by this document. All currency, currency hedged, risk control, and return type versions of the below indices that may exist are also covered by this document. Please contact index_services@spglobal.com for a complete list of indices covered by this document.

Index	Return Type	Bloomberg
S&P Japan 500 Buyback FCF Index (JPY)	Price Return	SPJBFJP
	Total Return	SPJBFJT
	Net Total Return	SPJBFJN
S&P Japan 500 Buyback FCF Index (USD)	Price Return	SPJBFUP
	Total Return	SPJBFUT
	Net Total Return	SPJBFUN
S&P Japan 500 Buyback PE Index (JPY)	Price Return	SPJBPJP
	Total Return	SPJBPJT
	Net Total Return	SPJBPJN
S&P Japan 500 Buyback PE Index (USD)	Price Return	SPJBPUP
	Total Return	SPJBPJT
	Net Total Return	SPJBPUN

Index Data

Daily constituent and index level data are available via subscription.

For product information, please contact S&P Dow Jones Indices, www.spdji.com/contact-us.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spdji.com.

Appendix – Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Previous	Methodology Updated
Exchange Rate:	6-July-2015	WM/Reuters foreign exchange rates taken at London close.	Spot foreign exchange rates taken at Asia close.
S&P Japan 500 Buyback FCF Index			

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