

**S&P Dow Jones
Indices**

A Division of **S&P Global**

S&P/JPX Dividend Aristocrats *Methodology*

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Introduction

Index Objective

The S&P/JPX Dividend Aristocrats is designed to measure the performance of the highest dividend yielding companies in the Tokyo Stock Price Index (TOPIX) that have followed a managed-dividends policy of increasing or stable dividends for at least 10 consecutive years.¹

Highlights

The index methodology aims to achieve a balance between high dividend yield and dividend sustainability and growth. It incorporates criteria on dividend payout ratio and maximum trailing dividend yield, to exclude companies whose future dividend payout may be considered potentially less sustainable. The index is weighted by trailing dividend yield to tilt the portfolio towards companies with higher dividend yields.

Index constituents are rebalanced once a year in July. At each rebalancing, modifications are made to stock weights to ensure diversification across individual stocks and sectors. The index methodology also incorporates minimum market capitalization and liquidity criteria.

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
S&P Dow Jones Indices' Float Adjustment Methodology	Float Adjustment Methodology
S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology	GICS 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.

¹ The TOPIX is calculated and published by the Tokyo Stock Exchange (TSE) and is a float-adjusted market capitalization weighted index that is calculated based on all the domestic common stocks listed on the First Section of the TSE. For more information on the TOPIX, please refer to the Japan Exchange Group (JPX) Web site at www.jpjx.co.jp/english/.

Eligibility Criteria

Index Eligibility

To qualify for membership in the S&P/JPX Dividend Aristocrats, a stock must first be a member of the TOPIX.²

Eligibility Factors

Market Capitalization. Stocks must have a float-adjusted market capitalization in the TOPIX of at least JPY 50 billion as of the rebalancing reference date.

Liquidity. For the three month period prior to the rebalancing reference date, new index constituents must have an average daily value traded (ADVT) of at least JPY 300 million. Existing index constituents must have an ADVT of at least JPY 250 million for continued index inclusion.

Stability Criteria

Dividend Growth. New index constituents must have increased dividends or maintained stable dividends every year for at least 10 consecutive years. Current index constituents must have increased dividends or maintained stable dividends every year for at least seven consecutive years for continued index inclusion.

Payout Ratio. Stocks must have a dividend payout ratio of no more than 100% and a non-negative dividend payout ratio. A dividend payout ratio is considered negative when the annual earnings per share (EPS) are negative. The dividend payout ratio is calculated as the dividends per share during the 12 months preceding the rebalancing reference date, divided by the annual EPS, using data as of the rebalancing reference date.

Dividend Yield. Stocks must have a 12-month trailing dividend yield of no more than 10% as of the rebalancing reference date. The cap aims to exclude companies whose dividends may not be sustainable over time, as well as companies whose stock prices have deteriorated rapidly. Dividend yield is calculated as the total dividends with ex-dates during the 12 months preceding the rebalancing reference date, divided by the price on the rebalancing reference date. All dividend criteria are based on regular cash dividends as determined by S&P Dow Jones Indices. Special and memorial dividends are not included in the dividend yield calculations.

Timing of Changes

For information on the rebalancing schedule please refer to the Rebalancing section within Index Maintenance.

Additions. No additions are made to the index between rebalancings except for spin-offs as detailed in the *Corporate Actions* section within *Index Maintenance*.

Deletions. Index constituents are removed from the index between rebalancings if they are removed from the TOPIX. Constituents deleted between rebalancings are not replaced.

² The TOPIX is calculated and published by the Tokyo Stock Exchange (TSE) and is a float-adjusted market capitalization weighted index that is calculated based on all the domestic common stocks listed on the First Section of the TSE. For more information on the TOPIX, please refer to the Japan Exchange Group (JPX) Web site at www.jpx.co.jp/english/.

Index Construction

Approaches

There are two steps in the creation of the index. The first is the selection of the index constituents; the second is the weighting of the constituents within the index.

S&P Dow Jones Indices believes turnover in index membership should be avoided when possible. At times a company may temporarily violate one or more of the addition criteria. However, the addition criteria are used for addition to an index, not for continued membership. As a result, an index constituent that appears to violate criteria for addition to that index is not deleted unless ongoing conditions warrant an index change.

Constituent Selection

Stocks that pass the index eligibility criteria form the Selection Universe.

Stocks are then ranked based on their 12-month trailing dividend yield as of the rebalancing reference date. The top 50 stocks with the highest 12-month trailing dividend yields are selected.

Stock Diversification Criteria. A minimum constituent count of 40 is required at each rebalancing. If the number of eligible constituent stocks is less than 40, then:

1. The market capitalization criterion is relaxed. TOPIX constituents with float-adjusted market capitalizations of at least JPY 30 billion and satisfying all other index eligibility criteria, are then added to the index in decreasing order of dividend yield until the minimum constituent count of 40 is reached.
2. If after Step 1 the minimum constituent count of 40 has still not been met, then the dividend growth criterion is relaxed. TOPIX constituents with float-adjusted market capitalizations of at least JPY 30 billion, a history of increased or stable dividends for at least seven consecutive years, and satisfying all other index eligibility criteria, are then added to the index in decreasing order of dividend yield until the minimum constituent count of 40 is reached.

Constituents Weightings

Index constituents are weighted by trailing dividend yield. At each rebalancing, individual stocks and GICS sectors are subject to a maximum weight of 5% and 30%, respectively.

Index Calculations

The index employs a yield driven-weighting scheme and is calculated by means of the divisor methodology used in all of S&P Dow Jones Indices' equity indices.

For more information on the index calculation methodology, please refer to the Modified Market Capitalization Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.

Index Maintenance

Rebalancing

The index undergoes an annual rebalancing as well as a semi-annual review as follows:

- **Annual Rebalancing.** The index is fully rebalanced annually, effective after the market close on the last business day of July. The rebalancing reference date is after the market close on the last business day of June. At this rebalancing, an updated index universe is used and all stocks are screened against the eligibility criteria.
- **Semi-Annual Review.** The index undergoes a semi-annual review to ensure that index constituents continue to pay dividends and comply with the constituent weighting criteria. At the discretion of the Index Committee, an index constituent that has omitted or significantly reduced its most recent dividend may be removed from the index. Index constituents deleted between annual rebalancings are not replaced. In addition, if index constituent weights require realignment in order to comply with the constituent weighting criteria, then the excess weight is redistributed among other stocks based on current constituent weights. Any changes made at the semi-annual review become effective after the close of the last trading date of January. The reference date for data used in the semi-annual review is the last business day of December.

Since index shares are assigned based on prices seven business days prior to the rebalancing, the actual weight of each stock at the rebalancing will differ from the target weights due to market movements.

Currency, Currency Hedged, and Risk Control Indices

The index is 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.

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.

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/JPX Dividend Aristocrats	12/21/2015	07/31/2006	07/31/2006	100

Corporate Actions

Corporate Action	Adjustment made to index	Divisor Adjustment?
Spin-off	Spin-offs are added to the index on the ex-date at a zero price. Both the parent company and spin-off remain in the index until the next index rebalancing, provided that each gives an indication it will continue and/or initiate a consistent dividend paying policy. If the spin-off does not indicate it will continue and/or initiate a consistent dividend paying policy, it is removed from the index after the first day of regular trading day.	
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 dividend, stock split, reverse stock split	Index shares are multiplied by and price is divided by the split factor.	No
Share Issuance, Share Repurchase, Equity Offering or Warrant Conversion	None.	No
Special Dividends	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
Constituent Change	There are no intra-rebalancing additions, except for spin-offs as detailed above.	-
	Deletions due to an index constituent being removed from the TOPIX causes the weights of the rest of the stocks in the index to change. Relative weights stay the same.	Yes

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

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

The S&P/JPX Dividend Aristocrats is maintained by the S&P/JPX Index Committee. The Index Committee is comprised of four members representing S&P Dow Jones Indices and three members representing the Tokyo Stock Exchange. The Index Committee is chaired by a member designated by S&P Dow Jones Indices. Meetings are held quarterly, and from time to time, as needed. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, companies that are being considered as candidates for addition to the 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 via ftp to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

All methodology changes are posted to S&P Dow Jones Indices' Web site and announced via email to all clients. The latest available version is posted on the Web site at www.spdji.com.

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 index rebalances. 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 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 index is calculated daily, throughout the calendar year, when the Tokyo Stock Exchange is officially open.

A complete holiday schedule for the year is available 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.

Real-Time Calculation

Real-time, intra-day, index calculations are executed for certain indices, whenever any of their primary exchanges are open. Real-time indices are not restated.

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/JPX Dividend Aristocrats (JPY)	Price Return Total Return Net Total Return	SPJXDAJP SPJXDAJT SPJXDAJN
S&P/JPX Dividend Aristocrats (USD)	Price Return Total Return Net Total Return	SPJXDAUP SPJXDAUT SPJXDAUN

FTP

Daily constituent and index level data are available via FTP 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
Semi-Annual Review	01/31/2018	Index constituents are reweighted based on the trailing dividend yields.	If index constituent weights require realignment in order to comply with the constituent weighting criteria, then the excess weight is redistributed among other stocks based on current constituent weights.
Liquidity Buffer	07/31/2017	--	Existing index constituents must have an ADVT of at least JPY 250 million for continued index inclusion.
Pay Out Ratio	07/31/2017	Stocks must have a maximum 100% dividend payout ratio for new index constituents and a non-negative dividend payout ratio for existing index constituents.	Stocks must have a dividend payout ratio of no more than 100% and a non-negative dividend payout ratio for both new and existing constituents.

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