

# Nikkei Progressive and High Dividend Stock Index

## Index Guidebook

Nikkei Inc.

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(June 30, 2023 version)

## 1: Introduction

The “Nikkei Progressive and High Dividend Stock Index” is a market value weighted index consisting of stocks with a high expected dividend yield and a track record of annual dividend increases or at least maintaining the same level as the previous year. Herein, the term “progressive dividend” corresponds to the Japanese phrase “累進配当.”

## 2: Name

Japanese	:	日経累進高配当株指数
English	:	Nikkei Progressive and High Dividend Stock Index

## 3: Constituents Management

### (1) Basic Point

The Nikkei Progressive and High Dividend Stock Index consists of 30 high expected dividend yield issues that have a track record of annual dividend increases or at least maintaining the same level as the previous year for a minimum of 10 fiscal years. The Periodic Review is conducted at the end of June every year. While the removal of certain constituents may result in the index temporarily having less than 30 issues, the constituent will not be added until the next Periodic Review, when the number of constituents will be restored to the prescribed level.

### (2) Universe

The index constituents are selected from all listed issues in Japan save for issues listed on TOKYO PRO Market, exchange traded funds (ETFs), real estate investment trusts (REITs), stocks other than common stocks such as preferred equity securities, Securities to be Delisted, and Securities on Alert.

### (3) Periodic Review

- The Base Date of the Periodic Review shall be the final business day of May of each year. The constituent stocks shall be selected by the process described below and the constituent change shall be effective on the final business day of the following month. The constituent change on the Periodic Review will be announced a sufficient period in advance of the effective date.
- The constituent change shall be executed following the steps below.

- I. As of the Base Date, current constituents with a market capitalization of less than JPY 50 billion and/or a track record of progressive dividends\* less than 10 fiscal years are excluded from the index.
- II. If the number of constituents becomes less than 30 because of step I, non-constituent issues in the universe in descending order of expected dividend yield shall be added until it reaches 30. The expected dividend yield is based on Nikkei's forecast and adjusted to a 12-month period.
- III. If the difference in expected yields between a current constituent with the lowest expected dividend yield and a non-constituent with the highest expected dividend yield is 0.5 percent points or greater, the high-yield non-constituent shall replace the constituent.
- IV. Repeat step III until no issues meet the condition above.

Issues that fall under the following conditions, in principle, are not eligible for addition in steps II to IV, respectively: issues of which dividend yield rose due to extraordinary reasons such as a significant collapse of stock price, issues without any disclosures of the last earning reports in the accounting period ending up to March in the last fiscal year, issues expecting a dividend cut according to Nikkei's forecast. Issues which are scheduled to be delisted may not be added. The issue with a longer track record of progressive dividend is prioritized when multiple potential constituents have the same expected dividend yield. If the number of years whose track record of progressive dividends is also the same, priority is given to the issue with the greater market capitalization.

(\*) A track record of progressive dividends denotes the number of fiscal years of annual dividend increases or at least maintaining the same level as the previous year. The number of years of progressive dividends shall be counted only after the listing and from the fiscal year of the listing, and counted based on dividends per share (cash dividends including commemorative and special dividends) during the latest fiscal year that ended up until March of the Base Date year. Dividends are adjusted considering splits and consolidations of stocks. Dividends paid in irregular accounting periods with more or less than 12 months are not converted to 12-month basis.

#### (4) Extraordinary Removal

- In case that a constituent is designated as a “Security to be Delisted” or “Security on Alert”, it will be deleted from the index 5 business days after the designation date in principle.
- In case that a constituent is delisted due to corporate restructuring such as merger, it will be deleted from the index on the date of delisting in principle.

- New constituents will not be added for the removals in principle.

#### (5) Constituents in the past and on the launch date

- With regards to the constituents used for the retroactive index calculations (see 4-(7) mentioned afterwards), Nikkei shall choose issues following the steps described in (3), and change the constituents on the final business day of the following month.

### 4 : Index Calculation

#### (1) Basic Point

- The Nikkei Progressive and High Dividend Stock Index is calculated as a market value weighted index.
- The index level on June 30, 2010 (the Inception Date) is 10,000 points.
- The unit of the index is points. The third digit is rounded to make the index have 2 digits after the decimal point.
- The index is calculated on an end-of-day basis.

#### (2) Calculation Formula

- The daily index value shall be calculated by the following formula.

$$\text{Index value} = \Sigma \{ \text{Share price} \times \text{Weight Factor} \} \div \text{Divisor}$$

#### (3) Share price

- For the issues listed on more than one exchange, the price of the exchange in the following order of priority is used for index calculation.  
I. Tokyo Stock Exchange, II. Nagoya Stock Exchange, III. Fukuoka Stock Exchange, IV. Sapporo Securities Exchange
- Prices used for the calculation are selected in the following order of priority.  
I. Special Quote or sequential trade quote, II. Closing price, III. Base price (The base price is obtained based on the priority order of ex-rights theoretical price, the last special quote price or sequential trade quote price on the previous day, and the closing price on the previous day.)

#### (4) Weight Factor

- The Weight Factor used for the index calculation (number of shares for the index) shall be the number of issued common shares on the Base Date of the Periodic Review.
- At the timing of the Periodic Review, in determining the Weight Factor by the above method, if the weight of an index constituent exceeds 7%, the Weight Factor shall be adjusted to make the weight of the constituent within 7%.
- After the Weight Factors are assigned, if an index constituent company makes a stock split or reverse split, the Weight Factor shall be adjusted corresponding to the ratio of the split or reverse split on the ex-date.

#### (5) Divisor

- The Divisor on June 30, 2010 (the Inception Date) is determined by the following formula.

$$\text{Divisor} = \Sigma \{ \text{Share prices} \times \text{Weight Factor on the Inception Date} \} \div 10,000$$

- After the Inception Date, the Divisor will be changed every time when the index constituents are changed by using the following formula.

$$\begin{aligned} \text{Divisor tomorrow} &= \text{Divisor today} \\ &\times (\Sigma \{ \text{base prices next day of the index constituents for the next day} \\ &\quad \times \text{Weight Factor for the next day} \}) \\ &\div (\Sigma \{ \text{base prices today of the today's constituents} \\ &\quad \times \text{today's Weight Factor} \}) \end{aligned}$$

- The fifth digit is rounded to make the Divisor have 4 digits after the decimal point.

#### (6) Modification of the index value

- If any event occurs and comes out at a later date where it is necessary to modify the index value, as a general rule, Nikkei reflects the modified data into the index value on the index calculation date coming subsequently after the event comes out, as the date when the event occurs. Retroactive calculation for the modification will not be conducted in principle.

(7) Retroactive calculation in the past

- The index is retroactively calculated to the Inception Date (June 30, 2010=10,000) on an end-of-day basis.
- The constituents used for the retroactive calculation are determined described in 3-(5).

**5: Others**

(1) Total Return Index calculation

Nikkei calculates “Nikkei Progressive and High Dividend Stock Index (Total Return)” and “Nikkei Progressive and High Dividend Stock Index (Net Total Return)” as the related indexes of the “Nikkei Progressive and High Dividend Stock Index” by adding the dividends and the net dividends excluding taxes respectively. These indexes are calculated on an end-of-day basis.

The “Nikkei Progressive and High Dividend Stock Index (Total Return)” measures the performance of the Nikkei Progressive and High Dividend Stock Index, including both the movements in the index prices and the reinvestment of the dividend incomes from the constituent stocks at the closing ex-dividend dates, corresponding to the Weight Factor. The Nikkei Progressive and High Dividend Stock Index (Net Total Return) will use the dividends after the deductions of the tax for the calculation.

The basic points for the index calculation such as the way to use dividends shall adhere to the Nikkei 225 Total Return Index and the Nikkei 225 Net Total Return Index.

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#### (4) Contact

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(Appendix) Change of history in Index Guidebook

June 30, 2023 version	Initial version
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