

# **S&P/JPX Dividend Aristocrats** *Methodology*

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# Introduction

## Index Objective and Highlights

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.<sup>1</sup> The index is weighted by trailing dividend yield..

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.

## 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	<a href="#">Equity Indices Policies &amp; Practices</a>
S&P Dow Jones Indices' Index Mathematics Methodology	<a href="#">Index Mathematics Methodology</a>
S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology	<a href="#">GICS Methodology</a>

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.

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<sup>1</sup> 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/](http://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.<sup>2</sup>

## 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 trailing 12 months 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.

## Dividend Payment Types

S&P Dow Jones Indices only considers cash dividend payments declared as regular by the paying company for index eligibility and selection purposes. Cash dividend payments declared as special or memorial by the paying company, including recurring special and memorial cash dividends, are not considered. Gross cash dividend amounts, before any withholding tax, are used.

## Earnings-Per-Share

S&P Dow Jones Indices only considers basic earnings-per-share, excluding/before extraordinary items for index eligibility and selection purposes.

For spin-offs, the yearly dividend increase history of the parent company is assigned to both the parent and spun-off company before the spin-off effective date. To determine annual dividend payments, the

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<sup>2</sup> 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/](http://www.jpx.co.jp/english/).

dividends of the parent and spun-off companies are combined until a full annual cycle of dividend payments is available for both post-spin-off companies. Subsequent dividend comparisons are based on the annual dividend amounts of each respective company. For merger and acquisition events, S&P Dow Jones Indices, at its discretion, may retain dividend history for newly formed entities from their predecessor companies.

# 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.

## Constituent Selection

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

Stocks in the Selection Universe are ranked based on their 12-month trailing dividend yields as of the rebalancing reference date. The 50 stocks with the highest 12-month trailing dividend yields are selected for index inclusion, subject to a 20-stock buffer as follows:

1. Stocks in the Selection Universe are ranked in descending order by trailing dividend yield. All stocks ranked among the top 30 are added to the index automatically.
2. All current constituents that are among the top 70 stocks are included in rank order until the target stock count has been reached.
3. If, following Step 2, the target stock count has not been reached; non-constituent stocks not already selected are added to the index in rank order until the target stock count has been reached.

**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 Non-Market Capitalization Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Maintenance

## Rebalancing

**Annual Reconstitution.** 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.

**Semi-Annual Review.** In addition to the annual reconstitution and monthly dividend review (see below), the index undergoes a secondary review to ensure that the constituent weighting criteria are being adhered to. If 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. New constituent weights will take effect after the close of trading on the last business day of January, with the reference date for the semi-annual review being after the market close on the last business day of December.

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

**Deletions.** Deletions can occur due to acquisitions, mergers, spin-offs, or due to bankruptcies or suspensions. Index constituents are also removed from the index between rebalancings if they are removed from the TOPIX. Constituents deleted between rebalancings are not replaced.

## Monthly Dividend Review

Index constituents are reviewed on a monthly basis for ongoing eligibility. For more information regarding the monthly dividend review, please refer to Approach A in the Monthly Review for Ongoing Eligibility in Dividend Focused Indices section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

## Currency of Calculation and Additional Index Return Series

The index calculates in Japanese yen and U.S. dollars.

Real-time spot Forex rates, as supplied by Refinitiv, 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 Refinitiv at the time the index is closed.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to the [S&P DJI Methodology & Regulatory Status Database](#).

*For information on various index calculations, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.*

*For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at [www.spdji.com](http://www.spdji.com).*



## 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 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

# 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 regularly. 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 Methodology.*

# 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 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](http://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 at each annual reconstitution and semi-annual review (collectively, "the reviews"). The pro-forma file is typically provided daily in advance of the review date and contains all constituents and their corresponding weights and index shares effective for the upcoming review. Since index shares are assigned based on prices seven business days prior to the review, the actual weight of each stock at the review differs from these weights due to market movements.

*Please visit [www.spdji.com](http://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](http://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 Methodology.

## **Recalculation Policy**

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

**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 Methodology.*

**Contact Information**

For questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://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 versions of the below indices that may exist are also covered by this document. Please refer to the [S&P DJI Methodology & Regulatory Status Database](#) for a complete list of indices covered by this document.

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

## 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](http://www.spdji.com/contact-us).

## Web site

For further information, please refer to S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).

# Appendix I

## Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Monthly Dividend Review	02/19/2021	S&P Dow Jones Indices reviews index constituents on a monthly basis. If S&P Dow Jones Indices determines that an index constituent has eliminated or suspended its dividend, omitted a payment, or reduced its calendar year dividend amount and its new yield is significantly lower than the lowest yielding constituent and will no longer qualify for the index at the subsequent reconstitution, it will be removed from the index effective prior to the open of the first business day of the following month.	Index constituents are reviewed on a monthly basis for ongoing eligibility. For more information regarding the monthly dividend review, please refer to Approach A in the Monthly Review for Ongoing Eligibility in Dividend Focused Indices section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.
Constituent Selection Process	07/31/2019	Stocks in the Selection Universe are ranked based on their 12-month trailing dividend yields as of the rebalancing reference date and the 50 stocks with the highest 12-month trailing dividend yields are selected for index inclusion.	Stocks in the Selection Universe are ranked based on their 12-month trailing dividend yields as of the rebalancing reference date. The 50 stocks with the highest 12-month trailing dividend yields are selected for index inclusion, subject to a 20-stock buffer as follows: <ol style="list-style-type: none"> <li>1. Stocks in the Selection Universe are ranked in descending order by trailing dividend yield. All stocks ranked among the top 30 are added to the index automatically.</li> <li>2. All current constituents that are among the top 70 stocks are included in rank order until the target stock count has been reached.</li> <li>3. If, following Step 2, the target stock count has not been reached; non-constituent stocks not already selected are added to the index in rank order until the target stock count has been reached.</li> </ol>
Monthly Dividend Review	04/19/2019	S&P Dow Jones Indices reviews index constituents on a monthly basis. If S&P Dow Jones Indices determines an index constituent has eliminated, suspended its dividend or omitted a payment, it will be removed from the Index effective prior to the open of the first business day of the following month.  In addition, constituent stocks are reviewed on a monthly basis for dividend cuts. Constituent stocks may, at the discretion of the Index Committee, be removed effective prior to the open of the first business day of the following month if the constituent company lowers but does not eliminate its dividend, and its new yield is significantly lower than the lowest yielding constituent and the index committee can determine based on current information that the company will not qualify for inclusion at the next reconstitution.	S&P Dow Jones Indices reviews index constituents on a monthly basis. If S&P Dow Jones Indices determines that an index constituent has eliminated or suspended its dividend, omitted a payment, or reduced its calendar year dividend amount and its new yield is significantly lower than the lowest yielding constituent and will no longer qualify for the index at the subsequent reconstitution, it will be removed from the index effective prior to the open of the first business day of the following month and not replaced until the following reconstitution. Any changes are announced five business days prior to month-end. The determination of qualifying for the index at the subsequent reconstitution is at the discretion of the Index Committee. The decision to remove an index constituent due to dividend elimination, suspension, omission, or reduction is based on information publicly announced by the

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
		The determination of qualifying for the index at the subsequent annual reconstitution is done at the discretion of the Index Committee. The decision to remove an index constituent due to dividend elimination, suspension, omission, or reduction is based on information publicly announced by the company as of five business days prior to month-end. The index constituents removed as part of the monthly dividend review process are not replaced until the following annual reconstitution.	company as of seven business days prior to month-end.
Monthly Dividend Review	07/31/2018	--	<p>S&amp;P Dow Jones Indices reviews index constituents on a monthly basis. If S&amp;P Dow Jones Indices determines an index constituent has eliminated, suspended its dividend or omitted a payment, it will be removed from the Index effective prior to the open of the first business day of the following month.</p> <p>In addition, constituent stocks are reviewed on a monthly basis for dividend cuts. Constituent stocks may, at the discretion of the Index Committee, be removed effective prior to the open of the first business day of the following month if the constituent company lowers but does not eliminate its dividend, its new yield is significantly lower than the lowest yielding constituent, and the index committee can determine based on current information that the company will not qualify for inclusion at the next rebalancing.</p> <p>The determination of qualifying for the index at the subsequent annual reconstitution is done at the discretion of the Index Committee. The decision to remove an index constituent due to dividend elimination, suspension, omission, or reduction is based on information publicly announced by the company as of five business days prior to month-end. The index constituents removed as part of the monthly dividend review process are not replaced until the following annual reconstitution.</p>
Semi-Annual Review	01/31/2018	Index constituents are reweighted based on the trailing dividend yields.	In addition to the annual reconstitution and monthly dividend review, the index undergoes a secondary review to ensure that the constituent weighting criteria are being adhered to. If 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. New constituent weights will take effect after the close of trading on the last business day of January, with the reference date after the market close on the last business day of December.
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.



# Appendix II

## EU Required ESG Disclosures

<b>EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL &amp; GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY<sup>3</sup></b>		
1.	<b>Name of the benchmark administrator.</b>	S&P Dow Jones Indices LLC.
2.	<b>Underlying asset class of the ESG benchmark.<sup>4</sup></b>	N/A
3.	<b>Name of the S&amp;P Dow Jones Indices benchmark or family of benchmarks.</b>	<a href="#">S&amp;P DJI Equity Indices Benchmark Statement</a>
4.	<b>Do any of the indices maintained by this methodology take into account ESG factors?</b>	No
<b>Appendix latest update:</b>		January 2021
<b>Appendix first publication:</b>		January 2021

<sup>3</sup> The information contained in this Appendix is intended to meet the requirements of the European Union Commission Delegated Regulation (EU) 2020/1817 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation of how environmental, social and governance factors are reflected in the benchmark methodology.

<sup>4</sup> The 'underlying assets' are defined in European Union Commission Delegated Regulation (EU) 2020/1816 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

# Disclaimer

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