

Vanguard[®] Japan Stock Index Fund

An Index-Related Fund

28 February 2011

Investment objective

The fund seeks to track the performance of the Morgan Stanley Capital International ("MSCI") Japan Index, which emphasises stocks of companies located in Japan.

Investment strategy

The fund employs a "passive management"—or indexing—investment strategy designed to track the performance of the index by investing in all, or a representative sample, of the securities that make up the index, holding each stock in approximate proportion to its weighting in the index.

Fund returns*

Vanguard Japan Stock Index Fund—USD

	Investor Shares		Institutional Shares		MSCI Japan Index in USD	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	4.53%	4.57%	4.54%	4.57%	4.56%	4.56%
3 months	12.53	12.67	12.56	12.67	12.67	12.67
Year to date	4.60	4.69	4.62	4.69	4.69	4.69
1 year	16.83	17.41	16.94	17.41	17.29	17.29
3 years	-2.14	-1.65	-2.04	-1.65	-1.83	-1.83
5 years	-2.66	-2.18	-2.57	-2.18	-2.35	-2.35
Since inception	4.27	4.79	3.96	4.37	4.55	4.13

Vanguard Japan Stock Index Fund—EUR

	Investor Shares		Institutional Shares		MSCI Japan Index in EUR	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	3.76%	3.80%	3.77%	3.80%	3.79%	3.79%
3 months	6.06	6.19	6.08	6.19	6.19	6.19
Year to date	1.60	1.68	1.61	1.68	1.69	1.69
1 year	15.43	16.01	15.54	16.01	15.89	15.89
3 years	—	—	1.10	1.50	1.31	1.31
Since inception	5.16	5.69	-5.60	-5.22	5.46	-5.38

Vanguard Japan Stock Index Fund—JPY

	Investor Shares		MSCI Japan Index in Local Currency	
	Net of expenses	Gross of expenses	Investor Shares	
1 month	4.53%	4.57%	4.56%	
3 months	10.06	10.20	10.19	
Year to date	5.67	5.75	5.76	
1 year	7.72	8.26	8.14	
3 years	-9.65	-9.19	-9.37	
Since inception	-12.88	-12.44	-12.60	

Total expense ratio

	Investor Shares	Institutional Shares
Administrative and other expenses	0.21%	0.11%
Investment management expenses	0.29	0.29
Total expense ratio	0.50%	0.40%

Fund facts

	Investor Shares	Institutional Shares
Inception date		
USD	15 December 2003	22 October 2003
EUR	06 August 2008	29 March 2006
JPY	21 March 2007	—
Purchase fee	0.00%	0.00%
Redemption fee	0.00%	0.00%
Fund codes (USD)		
Bloomberg	VANSTOK	VANSTOC
CUSIP	G9318R846	G9318R473
ISIN	IE0007292083	IE0007292422
Sedol	0729208	0729242
Valoren	1763427	1747397
Vanguard Fund Code	VUJSV	VUJSS
Fund codes (EUR)		
Bloomberg	VANJIEI	VANSTKE
ISIN	IE0007281425	IE0007286036
Sedol	728142	0728603
Valoren	1922649	1922644
Vanguard Fund Code	VUJVE	VEJSS
Fund codes (JPY)		
ISIN	IE0033862800	—
Sedol	3386280	—
Vanguard Fund Code	VYJSF	—
Minimum initial investment		
USD/EUR/JPY**	100,000	500,000
Domicile		Currencies
Ireland		USD, EUR, JPY
Trading frequency		Settlement
Daily T-1 (16.00 GMT cutoff)		T+3
Total assets		Structure
USD (millions) 1,104		UCITS III
EUR (millions) 799		

Investment Manager

The Vanguard Group, Inc. (Vanguard)

Michael H. Buek, CFA, Principal
Portfolio manager.
Advised the fund since 2003.
Worked in investment management since 1987.
B.S., University of Vermont.
M.B.A., Villanova University.

*Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions.

**Or equivalent of \$100,000 for initial investment. Or Yen equivalent of \$500,000 for initial investment.

Vanguard® Japan Stock Index Fund

An Index-Related Fund

Quarterly fund commentary as at 31 December 2010

- Despite signs that the moderate economic recovery under way in Japan was slowing, Japanese equities rose sharply during the quarter. The Japanese yen (+2.4%) continued to strengthen relative to the U.S. dollar, serving as a tailwind for U.S. dollar-denominated investors. For the period, the MSCI Japan Index returned 12.12% and the Vanguard Japan Stock Index Fund closely tracked its benchmark index.
- During the period, Japan's Cabinet Office reported that the Japanese economy expanded at a 4.5% annualized rate during the third quarter, marking the country's fourth consecutive quarter of growth. However, government officials are bracing for a pause in economic activity and most analysts forecast a slight economic contraction during the fourth quarter. In spite of these expectations, all sectors rose. Financials (+18.4%) and information technology (+13.8%) were among the top-performing sectors, while the utilities (+1.3%) sector delivered another quarter of underperformance. Within financials, Nomura Holdings (+31%), Mitsubishi UFJ Financial Group (+16%), and Sumitomo Mitsui Financial Group (+22%) were key contributors to returns.
- For the 12 months ended 31 December, the MSCI Japan Index returned 15.44%. Strong performance from the industrials (+21.6%) and information technology (+18.9%) sectors fueled performance, while the underperformance of the utilities (+9.1%), health care (+10.2%), and consumer discretionary (+10.6%) sectors tempered results. A dramatic increase in the value of the Japanese yen (+12.0%) versus the U.S. dollar over the 12 months accounted for nearly all gains experienced by U.S. dollar-denominated investors during the year.

All returns are based in U.S. dollars.

Fund characteristics

	Japan Stock Index Fund	MSCI Japan Index
Number of stocks	340	340
Median market cap	\$16.8B	\$16.8B
Price/earnings ratio	16.1x	16.1x
Price/book ratio	1.2x	1.2x
Return on equity	8.2%	8.2%
Earnings growth rate	-10.3%	-10.3%
Non-U.S. holdings	100.0%	0.0%
Cash investments	0.6%	—
Turnover rate	-21%	—
Equity yield (dividend)	1.9%	1.9%

The PTR (Portfolio Turnover Rate) approach considers the total security purchases and sales, the total subscriptions and redemptions and the average net assets of the fund to calculate the turnover figure. Data as at 31 December 2010.

Ten largest stocks as % of total net assets

	Japan Stock Index Fund
Toyota Motor Corp.	5.0%
Honda Motor Co. Ltd.	2.7
Mitsubishi UFJ Financial Group Inc.	2.7
Canon Inc.	2.1
Sumitomo Mitsui Financial Group Inc.	2.0
Mizuho Financial Group Inc.	1.6
Mitsubishi Corp.	1.4
Takeda Pharmaceutical Co. Ltd.	1.4
Tokyo Electric Power Co. Inc.	1.4
Sony Corp.	1.4
Total	21.7%

Sector diversification (% of common stock)

	Japan Stock Index Fund	MSCI Japan Index
Consumer Discretionary	19.4%	19.4%
Consumer Staples	5.0	5.0
Energy	1.7	1.6
Financials	18.1	18.1
Health Care	5.5	5.5
Industrials	19.8	19.8
Information Technology	13.2	13.2
Materials	7.9	7.9
Telecommunication Service	4.1	4.2
Utilities	5.3	5.3
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Investor Shares	1.00	1.00
Institutional Shares	1.00	1.00

R-squared and beta are calculated from trailing 36-month fund returns relative to the MSCI Japan Index in EUR.

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