



**Vanguard**<sup>®</sup>

# Vanguard<sup>®</sup> Japan Stock Index Fund

## An Index-Related Fund

30 June 2010

### 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 in USD	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	-2.01%	-1.97%	-2.01%	-1.97%	-2.01%	-2.01%
3 months	-10.11	-10.00	-10.09	-10.00	-10.07	-10.07
Year to date	-2.83	-2.59	-2.78	-2.59	-2.71	-2.71
1 year	0.47	0.97	0.57	0.97	0.76	0.76
3 years	-12.26	-11.82	-12.17	-11.82	-12.00	-12.00
5 years	-0.39	0.11	-0.29	0.11	-0.15	-0.15
Since inception	1.34	1.85	1.07	1.47	1.60	1.22

#### Vanguard Japan Stock Index Fund—EUR

	Investor Shares		Institutional Shares		MSCI Japan in EUR	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	-1.84%	-1.80%	-1.83%	-1.80%	-1.83%	-1.83%
3 months	-0.70	-0.58	-0.67	-0.57	-0.66	-0.66
Year to date	13.79	14.08	13.88	14.10	13.96	13.96
1 year	15.02	15.59	15.17	15.63	15.38	15.38
3 years	—	—	-9.26	-8.90	-9.09	-9.09
Since inception	1.89	2.40	-8.49	-8.12	2.10	-8.31

#### Vanguard Japan Stock Index Fund—JPY

	Investor Shares		MSCI Japan Index in MSCI Local	
	Net of expenses	Gross of expenses	Investor Shares	
1 month	-4.75%	-4.71%	-4.75%	
3 months	-14.87	-14.76	-14.84	
Year to date	-7.63	-7.40	-7.52	
1 year	-7.85	-7.39	-7.59	
3 years	-21.48	-21.09	-21.26	
Since inception	-18.75	-18.34	-18.51	

### Total expense ratio

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

### Fund facts

	Investor Shares	Institutional Shares
<b>Inception date</b>		
USD	15 December 2003	22 October 2003
EUR	06 August 2008	29 March 2006
JPY	21 March 2007	—
<b>Purchase fee</b>	0.00%	0.00%
<b>Redemption fee</b>	0.00%	0.00%
<b>Fund codes (USD)</b>		
Bloomberg	VANSTOK	VANSTOC
CUSIP	G9318R846	G9318R473
ISIN	IE0007292083	IE0007292422
Sedol	0729208	0729242
Valoren	1763427	1747397
Vanguard Fund Code	VUJSV	VUJSS
<b>Fund codes (EUR)</b>		
Bloomberg	VANJIEI	VANSTKE
ISIN	IE0007281425	IE0007286036
Sedol	728142	0728603
Vanguard Fund Code	VUJVE	VEJSS
<b>Fund codes (JPY)</b>		
ISIN	IE0033862800	—
Sedol	3386280	—
Vanguard Fund Code	VYJSF	—
<b>Minimum initial investment</b>		
USD/EUR/JPY**	100,000	500,000

<b>Domicile</b>	Ireland	<b>Currencies</b>	USD, EUR, JPY
<b>Trading frequency</b>	Daily T-1 (16.00 GMT cutoff)	<b>Settlement</b>	T+3
<b>Total assets</b>	USD (millions) 1,141 EUR (millions) 932	<b>Structure</b>	UCITS III

### 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.

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### Quarterly fund commentary as at 30 June 2010

- Japanese equities were not immune from the global sell-off sparked by concerns regarding the effects of the European debt crisis, and the MSCI Japan Index declined –10.07% during the first quarter. For the period, the Japanese yen appreciated 5.0% relative to the U.S. dollar. Vanguard Japan Stock Index Fund closely tracked the results of its benchmark index for the quarter.
- During the second quarter, the Japanese economy showed signs that many of its key drivers, particularly exports and private consumption, continue to improve. Japan's Cabinet Office cited both of these drivers in its release on first-quarter GDP growth, which showed that during the first three months of 2010 the Japanese economy grew at a 5.0% annualised rate. Despite this news, Japan's export-oriented sectors performed poorly during the second quarter. The consumer discretionary (–12.6%), information technology (–12.3%) and industrials (–10.4%) sectors were three of the worst performers. Offsetting some of this weakness was the solid performance of the defensive utilities (+2.5%) sector.
- For the 12 months ended 30 June 2010, the MSCI Japan Index returned 0.76%. Utilities (+10.9%) and information technology (+10.8%) were the top two performing sectors, though industrials (+6.2%) was another key contributor to performance. The financials (–17.7%) sector continued to significantly underperform. The Japanese yen's rise (+7.6%) versus the U.S. dollar over the past year has served as a tailwind to results for U.S. dollar-denominated investors.

All returns are based in U.S. dollars.

### Fund characteristics

	Japan Stock Index Fund	MSCI Japan Index
Number of stocks	341	341
Median market cap	\$12.8B	\$12.8B
Price/earnings ratio	24.5x	24.5x
Price/book ratio	1.1x	1.1x
Return on equity	8.3%	8.3%
Earnings growth rate	–9.7%	–9.7%
Cash investments	0.9%	—
Turnover rate	–9%	—
Equity yield (dividend)	2.1%	2.1%

The PTR 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 2009.

### Ten largest holdings

	Japan Stock Index Fund
Toyota Motor Corp.	4.7%
Mitsubishi UFJ Financial Group Inc.	2.8
Honda Motor Co. Ltd.	2.4
Canon Inc.	2.1
Sumitomo Mitsui Financial Group Inc.	1.9
Tokyo Electric Power Co. Inc.	1.6
Takeda Pharmaceutical Co. Ltd.	1.6
Nintendo Co. Ltd.	1.4
Mitsubishi Corp.	1.4
Sony Corp.	1.3
Total	21.2%

### Sector diversification (% of common stock)

	Japan Stock Index Fund	MSCI Japan Index
Consumer Discretionary	18.9%	18.9%
Consumer Staples	5.5	5.5
Energy	1.2	1.2
Financials	17.3	17.3
Health Care	5.8	5.8
Industrials	19.3	19.7
Information Technology	14.0	13.6
Materials	7.8	7.8
Telecommunication Services	3.9	3.9
Utilities	6.3	6.3
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 in EUR.

#### For more information

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