

# Vanguard® Japan Stock Index Fund

## An Index-Related Fund

31 October 2011

### Investment objective

The fund seeks to track the performance of the 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	-0.30%	-0.26%	-0.29%	-0.26%	-0.25%	-0.25%
3 months	-9.90	-9.79	-9.88	-9.79	-9.86	-9.86
Year to date	-11.44	-11.07	-11.36	-11.07	-11.11	-11.11
1 year	-2.77	-2.28	-2.67	-2.28	-2.33	-2.33
3 years	4.88	5.41	4.99	5.41	5.20	5.20
5 years	-5.60	-5.12	-5.50	-5.12	-5.27	-5.27
Since inception	1.72	2.23	1.50	1.91	2.01	1.69

#### 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	-4.10%	-4.05%	-4.09%	-4.05%	-4.04%	-4.04%
3 months	-7.18	-7.06	-7.15	-7.06	-7.14	-7.14
Year to date	-14.83	-14.47	-14.75	-14.47	-14.50	-14.50
1 year	-3.12	-2.63	-3.02	-2.63	-2.67	-2.67
3 years	1.59	2.10	1.70	2.11	1.91	1.91
5 years	—	—	-7.17	-6.79	-6.94	-6.94
Since inception	-1.45	-0.96	-7.88	-7.51	-1.14	-7.66

#### Vanguard Japan Stock Index Fund—JPY

	Investor Shares		MSCI Japan Index in Local Currency	
	Net of expenses	Gross of expenses	Investor Shares	
1 month	0.86%	0.90%	0.91%	
3 months	-8.99	-8.87	-8.95	
Year to date	-14.86	-14.51	-14.54	
1 year	-5.88	-5.41	-5.45	
3 years	-2.93	-2.44	-2.63	
Since inception	-15.18	-14.76	-14.89	

### 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
Valoren	1922649	1922644
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>		<b>Currencies</b>
Ireland		USD, EUR, JPY
<b>Trading frequency</b>		<b>Settlement</b>
Daily T-1 (16.00 Irish time cutoff)		T+3
<b>Total assets</b>		<b>Structure</b>
USD (million) 850		UCITS
EUR (million) 609		

### Investment manager

#### The Vanguard Group, Inc.

Michael H. Buek, CFA, Principal  
Portfolio manager.  
Advised the fund since 2009.  
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. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance NAV to NAV with gross income reinvested. Basis of index performance is total return.

\*\*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 September 2011

- The Japanese economy contracted for the third consecutive quarter as the effects of an uncertain global economic outlook and a strengthening yen weighed on business investment and exports. However, many economists continued to expect Japan to return to growth during the second half of the year.
- Despite its economic struggles, Japan (-6.44%), as measured by the MSCI Japan Index, was the top-performing developed equity market during the quarter in US dollar terms (only New Zealand performed better in local currency terms). The Japanese yen's rally persisted, as the currency gained 4.5% relative to the US dollar. Vanguard Japan Stock Index Fund closely tracked its benchmark index during the quarter.
- Performance among more cyclical sectors, such as information technology (-11.8%), consumer discretionary (-9.6%) and industrials (-8.8%), dragged results lower for the quarter. Toshiba (-20%), Toyota (-14%) and Komatsu (-28%) were the top detractors, respectively, in those sectors. Offsetting some of the weakness was strong performance from the more defensive consumer staples (+9.4%) and health care (+5.6%) sectors.
- For the 12 months ended 30 September, the MSCI Japan Index returned -0.09%. Performance was led by the consumer staples (+17.8%), energy (+14.7%) and telecommunication services (+12.4%) sectors. However, poor performance among utilities (-33.2%) and information technology (-8.3%) stocks drove the performance of the index modestly lower for the period. The 7.8% increase in the value of the Japanese yen versus the US dollar aided US dollar-denominated investors.

All returns are based in US dollars.

### Fund characteristics

	Japan Stock Index Fund	MSCI Japan Index
Number of stocks	317	317
Median market cap	\$14.0B	\$14.0B
Price/earnings ratio	14.3x	14.3x
Price/book ratio	1.0x	1.0x
Return on equity	7.7%	7.7%
Earnings growth rate	-12.4%	-12.4%
Cash investments	0.0%	—
Turnover rate	-23%	—
Equity yield (dividend)	2.4%	2.4%

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 30 September 2011.

### Ten largest stocks as % of total net assets

	Japan Stock Index Fund
Toyota Motor Corp.	4.2%
Mitsubishi UFJ Financial Group Inc.	2.6
Canon Inc.	2.4
Honda Motor Co. Ltd.	2.3
Sumitomo Mitsui Financial Group Inc.	1.7
Takeda Pharmaceutical Co. Ltd.	1.6
Mizuho Financial Group Inc.	1.5
FANUC Corp.	1.4
Mitsubishi Corp.	1.3
Softbank Corp.	1.3
<b>Total</b>	<b>20.3%</b>

### Sector diversification (% of common stock)

	Japan Stock Index Fund	MSCI Japan Index
Consumer Discretionary	19.2%	19.2%
Consumer Staples	6.0	6.0
Energy	1.8	1.8
Financials	17.1	17.1
Health Care	6.3	6.3
Industrials	20.7	20.7
Information Technology	13.1	13.1
Materials	7.4	7.4
Telecommunication Service	4.8	4.8
Utilities	3.6	3.6
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### 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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