

Revisions to Calculation Methodology for TSE REIT-related Indices

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Tokyo Stock Exchange, Inc.

I. Purpose

Tokyo Stock Exchange has calculated and published Tokyo Stock Exchange REIT Index and Tokyo Stock Exchange REIT Property Sector Index Series (hereinafter, collectively referred to as "TSE REIT-related Indices"), which serve as indicators of the J-REIT market.

Currently, TSE REIT-related Indices are calculated based on Full-market Capitalization weighting. However, with the aim of making the indices more suitable as underlying indicators for financial products, the calculation methodology will be changed to Free-float Adjusted Market Capitalization weighting.

II. Outline

Item	Description	Remarks
1. Calculating FFW	<ul style="list-style-type: none">- The free-float weight (FFW) is calculated by first estimating the number of non-free-float shares, and then subtracting the non-free-float-share ratio from 1 (1 – non-free-float ratio). The number of non-free-float shares can be estimated by gathering information from securities reports and other documents required under the Financial Instruments and Exchange Act, as well as from publicly available documents released by each REIT issuer.	<ul style="list-style-type: none">- See Appendix

2. Introducing FFW	- FFW for TSE REIT-related Indices will be introduced in five phases in order to minimize the impact on the market,.	- Notices on changes in FFW will be made available via Tokyo Stock Exchange Index Information Service (TMI).
3. Periodic Reviewing	- TSE will conduct periodic reviewing of FFW on a yearly basis on the last business day of July.	- Periodic reviewing will start in Jul. 2018. (There will be no periodic review in Jul. 2017.)

III. Implementation Date (Tentative)

Monthly adjustments for phases one through four will take place after the close of trading on the business day preceding the last business day of the month in Jan.–Apr. 2017, and the introduction of FFW will be completed after the close of trading on the business day preceding the last business day of May 2017.

IV. Information Provision

TSE will calculate and publish daily figures for both Provisional REIT index (reflecting the adjustments that will go into effect once the transition to FFW methodology has completed) and Ex- REIT index (reflecting full-market capitalization weighting where FFW=1) at the end of the day via TMI. These figures will be available during the time frames indicated below.

- Provisional REIT index: Dec. 1, 2016– May 31, 2017 (Tentative)
- Ex-REIT index : Jan. 31, 2017– Dec. 28, 2018 (Tentative)

V. Initial Calculations of FFW

- When calculating FFW at the start of FFW introduction, TSE will reference securities reports published before the end of Jul. 2016 and round up to the nearest 0.05. (See Appendix)

- However, this does not apply in the case that the REIT under review has executed a corporate action (such as a merger) after the publication of securities reports.

VI. Supplementary Information

Once the transition to FFW methodology has been completed, the base market values of TSE REIT-related Indices will also be changed to maintain index continuity.

*correction of error (red letter)

(Visualization of Transition to FFW)

Example for Stock A (FFW= 0.7)



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