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## Tokyo Stock Exchange Index Guidebook

(Tokyo Stock Exchange REIT Sector Focus Index Series)

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JPX Market Innovation & Research, Inc.

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**Record of Changes**

Date	Changes
2023/7/14	First edition

## Introduction

- JPX Market Innovation & Research, Inc. (hereinafter the “JPXI”) calculates and publishes the Tokyo Stock Exchange REIT Sector Focus Index Series (TSE REIT Sector Focus Index Series) in accordance with the methods described in this document. If an event not specified in this document occurs, or if JPXI determines that it would be difficult to use the methods described in this document, JPXI may use an alternative method of index calculation as it deems appropriate.
- Copyright of this document is owned by JPXI, and any copies, reprints, and reproductions of this document in whole or in part are prohibited without the prior approval of JPXI. This document is prepared solely for the understanding of indices calculated and published by JPXI and is not to be construed as a solicitation for trading any securities or related financial instruments. Information expressed in this document is subject to change without notice; and, in those cases, JPXI undertakes no obligation to update any recipients of this document. JPXI shall accept no liability or responsibility for any loss or damage arising from errors, delays, or termination of the calculation or publication of TSE REIT Sector Focus Index Series, changes to its calculation or publication method, the use of TSE REIT Sector Focus Index Series or all or any part of this document or other similar events.
- In this document, the number of beneficiary right units and investment units are referred to as shares and stocks for convenience.

## I. Outline of the Index

- The TSE REIT Sector Focus Index Series is calculated using a selection of constituents of the TSE REIT Index which invest in investment properties in specific sectors, as well as REITs that invest in a portfolio of assets including properties in specific sectors.
- The base date and base value are as below.

Index Name	Constituents	Base Date	Base Value
Tokyo Stock Exchange REIT Logistics Focus Index	Calculated using selection of constituents of TSE REIT Index which are REITs that mainly invest in logistics facilities and REITs that invest in a portfolio of assets including the logistics facilities	July 3, 2020	1000
Tokyo Stock Exchange REIT Office Focus Index	Calculated using selection of constituents of TSE REIT Index which are REITs that mainly invest in offices and REITs that invest in a portfolio of assets including offices	August 18, 2023	1000

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Index Name	Constituents	Base Date	Base Value
Tokyo Stock Exchange REIT Residential Focus Index	Calculated using selection of constituents of TSE REIT Index which are REITs that mainly invest in residential facilities and REITs that invest in a portfolio of assets including residential facilities	August 18, 2023	1000
Tokyo Stock Exchange REIT Hotel & Retail Focus Index	Calculated using selection of constituents of TSE REIT Index which are REITs that mainly invest in hotel or retail facilities and REITs that invest in a portfolio of assets including hotel or retail facilities	August 18, 2023	1000

- Constituents and their weights are reviewed on the last business day of July (annual rebalance). The base date for the annual rebalance (rebalance reference date) is the last business day of May. The base date for weights calculation (weight reference date) is the last business day of June.

## II. Index Calculation

### 1. Outline

- TSE REIT Sector Focus Index Series is calculated by modified market cap weighting.
- The calculation formula and method for adjustments of the base market value, etc. are in accordance with the Index Calculation Guidebook.

### 2. Index Type

- For the TSE REIT Sector Focus Index Series, a price return index and a total return index are calculated.
- The method of reflecting dividends in index values is in accordance with the Index Calculation Guidebook.

### 3. Inclusion or Removal of Constituents

#### a. Annual Rebalance

##### (1) Outline

- In the annual rebalance to be conducted every July, the constituents of the TSE REIT Sector Focus Index Series shall be reviewed (inclusions and removals) by selecting constituents from the TSE REIT Index based on b. "Selection Criteria" as of the rebalance reference date.

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Theoretical weights and adjustment factors are calculated based on b. "Selection Criteria" as of the weight reference date.

- The list of inclusions/removals is published on the fifth business day of July, and index calculations to which such constituent changes are applied begin on the last business day of July.
- For the free-float adjusted market values used for the selection process, the market values for index calculation for the TSE REIT Index are used.

#### **b. Selection Criteria**

The selection criteria for the annual rebalance is as follows. With respect to specific sectors, "Logistics Facilities" shall be for the TSE REIT Logistics Focus Index, "Offices" shall be for the TSE REIT Office Focus Index, "Residential Facilities" shall be for the TSE REIT Residential Focus Index, and "Hotel or Retail Facilities" shall be for the TSE REIT Hotel & Retail Focus Index.

REITs selected based on step ii. below are referred to as "Sector-specific REITs", and REITs selected based on step iii. or iv. below are referred to as "Sector-related REITs". The selection process is conducted as follows:

#### **i. Eligible Issues**

- Eligible issues shall be those selected as constituents of the TSE REIT Index as of the rebalance reference date. However, issues designated as Securities to be Delisted are excluded from consideration.

#### **ii. Selection of Sector-specific REITs**

- JPXI selects constituents based on the most recent securities report submitted for each REIT as of the rebalance reference date.
- Specifically, JPXI identifies REITs having investment properties specified in their "investment policy" that are mainly used in specific sectors.
- In cases in which multiple uses of investment properties are stated in the 'investment policy', JPXI shall confirm the basic policies regarding the investment ratio of each specific use, and identify REITs for which the properties are used in the "Specific Sectors" 50% of the time or more.
- In cases in which there are no descriptions of the investment ratio for each use, JPXI shall refer to the list of investment properties in the securities report and identify REITs with investment ratios of 50% or more e (45% or more for issues selected for Logistics REITs in the

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previous annual rebalance) for properties used in a "Specific Sector" based on the ratio of the total appraised value of "Specific Sector" properties to the total appraised value for all properties.

- From among the REITs identified in the above procedure, JPXI shall make selections in descending order of free-float adjusted market value as of the rebalance reference date.
- The selection process continues until the number of constituents reaches 15.

### **iii. Selection of Sector-related REITs**

- The selection process is completed if 15 issues are selected after step ii. "Selection of Sector-specific REITs".
- If less than 15 REITs are selected after step ii., JPXI shall select REITs that have invested in portfolios including properties used in a "Specific Sector" based on the latest annual securities reports as of the rebalance reference date.
- Specifically, JPXI shall refer to the lists of investment properties in securities reports and identifies REITs that invest in "Specific Sector" properties.
- From among the REITs identified in the above procedure, JPXI shall select REITs in descending order of free-float adjusted market value as of the rebalance reference date.
- The selection process continues until the number of constituents reaches 15.

### **iv. Other REITs**

- The selection process is completed if 15 REITs are selected after step iii.
- If less than 15 REITs are selected after step iii., JPXI shall make a selection from all eligible REITs in descending order of their free-float adjusted market value as of the rebalance reference date until the number of constituents reaches 15.

## **c. Calculation of Theoretical Weight**

- The calculation process is conducted as follows:

### **i. Weights of Sector-specific REITs and Sector-related REITs**

- The weight for each group is determined according to the following table. The number of Sector-related REIT constituents (n) varies depending on the number of Sector-specific REIT constituents.

Group	Total Weight
Sector-specific REITs	$(100 - 2n)\%$
Sector-related REITs	$2n\%$

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## ii. Theoretical Weight of Each Constituent

- The theoretical weight of each constituent is calculated as follows:

$$\begin{aligned} &\text{Theoretical weight of constituent (i)} = \\ &\frac{\text{Free – float adjusted market value of constituent (i) as of weight base date}}{\text{Total free – float adjusted market value of group as of weight base date}} \\ &\times \text{Total group weight} \end{aligned}$$

- However, if the theoretical weight of a constituent exceeds 20% of the total index, the free-float adjusted market value of the issue as of the weight base date is reduced so that the calculation result is 20%.
- Depending on fluctuations in stock prices, the theoretical weight of a constituent may exceed 20% before the next annual rebalance.

## d. Adjustment Factor

- The adjustment factors used for calculating the modified market cap weight index are set between 0.00001 and 99999.99999 as follows:
- The method for calculation of adjustment factors is in accordance with the Index Calculation Guidebook.

### (2) Removal of Constituents in addition to the Annual Rebalance

- Any constituent that is delisted or designated as Securities to be Delisted will be removed from the TSE REIT Sector Focus Index Series.

### (3) Inclusion of Constituents in addition to the Annual Rebalance

- In the event that a constituent of the TSE REIT Sector Focus Index Series is delisted due to a merger accompanied by the creation of a new REIT and the newly formed REIT is listed on the TSE without delay, if the delisted REIT was a constituent of the TSE REIT Sector Focus Index Series, then JPXI shall add the new REIT to the index.
- In the event that a constituent of the TSE REIT Sector Focus Index Series is delisted due to an absorption-type merger and the surviving REIT is not be a constituent of TSE the REIT Sector Focus Index Series, then JPXI will add the surviving REIT to the index.

### (4) Dates of constituent inclusion and removal

	Event Requiring Adjustment	Adjustment Date *1
—	New listing of a newly formed REIT resulting from a	New listing date *2



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	Event Requiring Adjustment	Adjustment Date *1	
	merger that results in a TSE REIT Sector Focus Index Series constituent being delisted and the new REIT being included in TSE REIT Sector Focus Index Series		
	When a TSE REIT Logistics Focus Index constituent is delisted due to an absorption-type merger with a surviving REIT that is not a TSE REIT Sector Focus Index Series constituent, and the surviving REIT is included in TSE REIT Sector Focus Index Series	Delisting date	
	Annual rebalance	Last business day of July	
Removal	Delisting	When a TSE REIT Sector Focus Index Series constituent is delisted due to a merger accompanied by the creation of a new REIT, and the newly formed REIT is included in TSE REIT Sector Focus Index Series	New listing date of the newly formed REIT (normally two business days following the delisting date)
		Delisting other than those stated above	Delisting date
	Designation as Securities to be Delisted		Four business days after such a designation *3
	Annual rebalance		Last business day of July

\*1: Adjustments to the base market value are made after the end of trading on the business day before the adjustment date (i.e., before the market opens on the adjustment date). The same shall apply hereinafter.

\*2: If the new listing date falls on a non-business day, it shall be the next business day.

\*3: If the designation date falls on a non-business day, it shall be the next business day.

### III. Other

#### 1. Publication/Dissemination of Index Data

##### (1) Index Values

- The price return index value and total return index value of the TSE REIT Sector Focus Index Series are calculated daily at market close.
- The retroactive calculation of the index value does not fully follow the calculation methodology in the "TSE REIT Sector Focus Index Series Guidebook" and includes cases which there were less than 15 constituents based on past selection processes.

##### (2) Index Data

- Index data relating to TSE REIT Sector Focus Index Series (base market value, adjustment

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factor for each constituent, etc.) is provided for a fee through the Index Data Service.

## **2. Licensing**

- JPXI and/or its affiliates reserve all calculation, publication, and other rights pertaining to the TSE REIT Sector Focus Index Series. As such, commercial use of such indices in the composition and/or sale of financial products such as funds or linked bonds (including using the index as the basis for options, swaps, warrants, or other OTC derivatives) or provision of index data requires a license from JPXI.

## **3. Free Float Weight Calculation**

- FFW ratios are calculated in accordance with the TSE Index Guidebook (Tokyo Stock Exchange REIT Index, Tokyo Stock Exchange REIT Property Sector Index Series, Tokyo Stock Exchange Infrastructure Funds Index).

## **4. Contact**

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