

(Reference Translation)

Tokyo Stock Exchange  
Index Guidebook  
(Tokyo Stock Exchange REIT Logistics Focus Index)

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### **Record of Changes**

Date	Changes
2020/6/26	First edition
2020/12/25	Clarification of the stock price used for calculation, etc.

## **Introduction**

- Tokyo Stock Exchange, Inc. (TSE) calculates and publishes the Tokyo Stock Exchange REIT Logistics Focus Index (TSE REIT Logistics Focus Index) in accordance with the methods described in this document. If an event not specified in this document occurs, or if TSE determines that it is difficult to use the methods described in this document, TSE may use an alternative method of index calculation as it deems appropriate.
- Copyright of this document is owned by TSE, and any copies, reprints, and reproductions of this document in whole or in part are prohibited without the prior approval of TSE. This document is prepared solely for the understanding of indices calculated and published by TSE 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, TSE undertakes no obligation to update any recipients of this document. TSE 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 Logistics Focus Index, changes to its calculation or publication method, the use of TSE REIT Logistics Focus Index or all or any part of this document or other similar events.
- TSE calculates both price and total return versions of TSE REIT Logistics Focus Index.

### **I. Outline of the Index**

- TSE REIT Logistics Focus Index is selected from among constituents of TSE REIT Index, and is composed of REITs that invest in logistics facilities mainly and REITs that invest in a portfolio of assets including logistics facilities.
- 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.
- The base date for index calculation is July 3, 2020. The base value is 1,000.

### **II. Index Calculation**

#### **1. Outline**

- TSE REIT Logistics Focus Index is calculated by modified market cap weighting. The index is denominated in points and is calculated to the second decimal place. (Values beyond the second decimal are rounded.)

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## 2. Formula

$$\text{Index} = \frac{\text{CMMV}}{\text{BMV}} \times \text{Base point}$$

CMMV = Current modified market value

BMV = Base market value

\* Modified market value =

$\Sigma$  (Adjustment factor for each constituent  $\times$  10,000  $\times$  Stock price for each constituent)

## 3. Stock Price Used for Calculation

- The stock prices used for calculating and adjusting base market values for TSE REIT Logistics Focus Index are prices from auction trading on TSE and are determined by the following order of priority:

(1) Special quote or sequential trade quote, (2) Contract price, (3) Base price for index calculation when neither (1) or (2) are available (determined in the following order: (1) theoretical ex-rights price, (2) Most recent special quote or sequential trade quote on or before the previous trading day, (3) Most recent contract price before the previous trading day)

## 4. Rebalance

### a. Annual Rebalance

#### (1) Outline

- In the annual rebalance to be conducted every July, the constituents of TSE REIT Logistics Focus Index shall be reviewed (inclusions and removals) by selecting from the constituents of TSE REIT Index based on b. "Selection Criteria" as of the rebalance reference date. 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 calculation applying such constituent change begins on the last business day of July.

#### b. Selection Criteria

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

**i. Eligible Issues**

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

**ii. Selection of Logistics REITs**

- TSE selects constituents based on the most recent securities report submitted for each REIT as of the rebalance reference date.
- Specifically, TSE selects issues for which mainly "Logistics" is stated under the use of properties subject to investment in the "investment policy".
- In the case where multiple uses of properties subject to investment are stated in the "investment policy", TSE confirms the basic policy on the investment ratio for each use and selects issues with investment ratios of 50% or more for "Logistics".
- In the case where there is no description on the investment ratio for each use, TSE refers to the list of investment properties in the securities report and selects issues with investment ratios of 50% or more for "Logistics" based on the ratio of the total appraised value of "Logistics" properties to the total appraised value for all properties.

**iii. Selection of Logistics-related REITs**

- The selection process is completed if 15 or more issues are selected after step ii. "Selection of Logistics REITs".
- If less than 15 issues are selected after step ii., TSE identifies issues invested in a portfolio that includes logistics facilities based on the latest annual securities reports as of the rebalance reference date.
- Specifically, TSE refers to the lists of investment properties in securities reports and identifies issues that invest in "Logistics".
- From among the issues identified in the above procedure, TSE selects issues 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., TSE selects, from all eligible issues, issues in descending order of free-float adjusted market value as of the rebalance reference date until the number of constituents reaches 15.

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**c. Calculation of Theoretical Weight**

- The calculation process is conducted as follows:

**i. Weights of Logistics REITs and Logistics-related REITs**

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

Group	Total Weight
Logistics REITs	(100 – 2n)%
Logistics-related REITs	2n%

**ii. Theoretical Weight of Each Constituent**

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

Theoretical weight of constituent (i) =

$$\frac{\text{Free – float adjusted market value of constituent (i) as of weight base date}}{\text{Total free – float adjusted market value of group as of weight base date}}$$

× Total group weight

- 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:
- Adjustment factor for each constituent = Theoretical weight × Fixed value (\*) ÷ Last stock price used for calculation
  - \* The fixed value is 10 to the power of X (10<sup>x</sup>). TSE will determine the appropriate integer value for X based on the stock price level of the constituents.

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**(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 TSE REIT Logistics Focus Index.

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

- In the event that a constituent of TSE REIT Logistics Focus Index 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 TSE REIT Logistics Focus Index, then TSE adds the new REIT to the index.
- In the event that a constituent of TSE REIT Logistics Focus Index is delisted due to an absorption-type merger, and the surviving REIT is not a constituent of TSE REIT Logistics Focus Index, then TSE will add the surviving REIT to the index.

**(4) Review of the Adjustment Factor**

i. Stock Split

In the event that a stock split is conducted, the adjustment factor will be changed on the ex-rights date, which is set as the index adjustment date, as follows:

New adjustment factor = Adjustment factor × Split ratio

ii. Rights Offering

In the event that a public offering through gratis allotment of subscription warrants is conducted, the adjustment factor will be changed on the ex-rights date, which is set as the index adjustment date, as follows:

New adjustment factor = Adjustment factor × (1 + Allotment ratio)

iii. Reverse Split

In the event that a reverse split is conducted, the adjustment factor will be changed on the ex-rights date, which is set as the index adjustment date, as follows:

New adjustment factor = Adjustment factor ÷ Reverse split ratio

iv. Merger/Acquisition

In a merger of REITs, if the surviving REIT and the dissolving REIT(s) are constituents of TSE REIT Logistics Focus Index, the adjustment factor of the surviving REIT is changed.

**III. Adjustments to Base Market Value**

- In the case of a change in the modified market value due to an increase or decrease in constituent issues or events other than market fluctuations, the base market value of TSE REIT

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Logistics Focus Index is adjusted as follows to maintain continuity.

## 1. Events that Require Adjustment

### (1) Inclusion or Removal of Constituents

	Event Requiring Adjustment	Adjustment Date *1	Stock Price Used for Adjustment	
Inclusion	New listing of a newly formed REIT resulting from a merger that results in a TSE REIT Logistics Focus Index constituent being delisted and the new REIT being included in TSE REIT Logistics Focus Index	New listing date *2	Base price *3	
	In the event 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 Logistics Focus Index constituent, and the surviving REIT is included in TSE REIT Logistics Focus Index	Delisting date	Stock price on the business day before the delisting date *3	
	Annual rebalance	Last business day of July	Stock price on the business day before the adjustment date	
Removal	Delisting	In the event a TSE REIT Logistics Focus Index 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 Logistics Focus Index	New listing date of the newly formed REIT (normally two business days following the delisting date)	Stock price on the business day before the delisting date (*4)
		Delisting other than those stated above	Delisting date	Stock price on the business day before the adjustment date
	Designation as Securities to be Delisted	Four business days after such a designation *5	Stock price on the business day before the adjustment date	
	Annual rebalance	Last business day of July	Stock price on the business day before the adjustment date	

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- \*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 will be the next business day.
- \*3: To maintain the weight(s) of the REIT(s) to be delisted on the adjustment date, the adjustment factor of the newly added REIT is calculated using the newly added REIT's stock price used for adjustment.
- \*4: During the period from the delisting date to the removal date, the stock price at the end of trading on the business day before the delisting date is used to calculate the index.
- \*5: If the designation date falls on a non-business day, it shall be the next business day.

**(2) Corporate Action**

Event Requiring Adjustment	Adjustment Date	Stock Price Used for Adjustment
Rights offering (limited to cases where the allotted subscription warrants are listed)	Ex-rights date	Payment price per share
Change of adjustment factor	Date of change	Stock price on the business day before the adjustment date

\*Base market value (BMV) is not adjusted in the case of a stock split or reverse stock split since the decrease or increase in the adjustment factor corresponds to the change in the number of listed shares and the modified market value remains unchanged.

**(3) Data Source**

- Information on the reason for base market value adjustments, details on the adjustment, the adjustment date and other data is available through the "Sho-ho" (TSE Notice) published daily by TSE based on reports, etc. made by REIT. (Please refer to the "TSE Index Guidebook (TSE REIT Index, TSE REIT Property Sector Index Series, Tokyo Stock Exchange Infrastructure Funds Index)" for information on calculating FFW. 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.)
- Even if a REIT revises the contents of a previously published report with regard to a reason for a base market value adjustment as described above, retroactive index adjustments will not be made based on the revised contents.

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## 2. Adjustment Method

### (1) Indices that do not reflect dividends (i.e., price indices)

- The base market value will be adjusted according to the formula below in order to maintain the continuity of the index:

$$\frac{\text{Previous business day MMV}}{\text{Pre - adjustment BMV}} = \frac{(\text{Previous business day MMV} \pm \text{Adjustment amount})}{\text{New BMV (After adjustment)}}$$

\*Adjustment amount = Increase (decrease) in adjustment factor used for index calculation × 10,000 × Stock price used for adjustment

Therefore,

$$\text{New BMV} = \frac{\text{Old BMV} \times (\text{Previous business day MMV} \pm \text{Adjustment amount})}{\text{Previous business day MMV}}$$

MMV = Modified market value

BMV = Base market value

### (2) Total Return Index

- Dividends used in calculating the total return index are gross (i.e., before tax).
- Since the dividend amount for the current period is not fixed as of the ex-dividend date, adjustments made to reflect dividends in the base market value are made in two stages: 1) adjustment using estimated dividends and 2) minor adjustments made to reflect differences in estimated dividend and dividend amount announced in the earnings report, etc.

#### a. Adjustments Using Estimated Dividends

- The total dividend amount for all constituents is calculated on ex-dividend dates using estimated dividends, and the base market value is adjusted as above. In principle, the estimated dividend amount used is as follows:
  1. Dividend amount for the current period as announced in timely disclosure documents, if available
  2. Dividend amount for the previous period if the dividend for the current period is not fixed (e.g., the dividend is not announced in disclosure documents as (1) above, or the amount is not determined, etc.)

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- The base market value adjustment method is basically as described in the previous section, except an adjustment is made to reflect dividends as follows:

$$\text{New BMV} = \frac{\text{Old BMV} \times (\text{Previous business day MMV} - \text{Total dividends} \pm \text{Adjustment amount})}{\text{Previous business day MMV}}$$

MMV = Modified market value

BMV = Base market value

\* Dividends per constituent = Adjustment factor for index calculation on business day before ex-dividend date  $\times$  10,000  $\times$  Estimated dividend per share

\* Total dividends = Sum of dividends for all constituents

\* Adjustment amount = Increase (decrease) in adjustment factor used for index calculation  $\times$  10,000  $\times$  Stock price used for adjustment

**b. Minor Adjustment to Reflect Difference Between Estimated Dividend and Dividend Announced in the Earnings Report, etc.**

- Minor adjustments are made with respect to those constituents for which the estimated dividend used on the ex-dividend date and the dividend announced in the earnings report or the notice of dividends of surplus (hereinafter the “earnings report, etc.”) are different. Specifically, the total dividend adjustment amount is calculated and the base market value adjustments are made on the last business day of the month in which the dividend is announced in the earnings report, etc. (hereinafter the “publication date”; if the publication date is one business day before the last business day of the month or the last business day of the month, adjustments will be as a general rule, made on the last business day of the next month).

$$\text{New BMV} = \frac{\text{Old BMV} \times (\text{Previous business day MMV} - \text{Total dividend adjustment} \pm \text{Adjustment amount})}{\text{Previous business day MMV}}$$

MMV = Modified market value

BMV = Base market value

\* Adjusted dividend per constituent = Adjustment factor for index calculation on business day

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before ex-dividend date  $\times$  10,000  $\times$  (Dividend announced in earnings report, etc. - Estimated dividend per share)

- \* Total adjusted dividends = Sum of adjusted dividends for all constituents
- \* Adjustment amount = Increase (decrease) in adjustment factor for index calculation  $\times$  10,000  $\times$  Stock price used for adjustment

#### **IV. Other**

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

###### **(1) Index Values**

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

###### **(2) Index Data**

- Index data relating to TSE REIT Logistics Focus Index (base market value, adjustment factor for each constituent, etc.) is provided for a fee through the Index Data Service.

##### **2. Licensing**

- TSE reserves all calculation, publication, and other rights pertaining to TSE REIT Logistics Focus Index. 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 TSE.

##### **3. Contact**

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