

Nikkei ESG-REIT Index

Index Guidebook

Nikkei Inc.

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(April 26, 2021 version)

1: Introduction

“Nikkei ESG-REIT Index” is a REIT index comprised of the REITs listed in the Tokyo Stock Exchange weighted by “Market Capitalization Weight adjusted by ESG Factor Method”. The ESG factor is based on the ESG evaluation rating by GRESB (Global Real Estate Sustainability Benchmark).

2: Name

(Japanese)

Official : 日経 ESG-REIT 指数

(English)

Official : Nikkei ESG-REIT Index

3: Constituents Management

(1) Universe

- The index constituents are selected from the REITs listed on the Tokyo Stock Exchange (TSE). The REITs that have been listed for less than 2 months or are assigned to “Security to be delisted” are not included in the universe.

(2) Periodic Review

- The periodic review shall be conducted according to the following criteria at the end of November.
- The index constituents are selected from the REITs listed in the Tokyo Stock Exchange (TSE) to meet the following criteria at the end of October of each year (Base Date).
 - Market Capitalization is equal or more than 20 billion Yen
 - Annual average daily trading value is equal or more than 50 million Yen (In case of a REIT listed for under 1 year, the average is calculated with the trading values since listing date)

In case of a constituent REIT, the REIT shall be selected that its market capitalization exceeds 10 billion Yen and its annual average daily trading value exceeds 25 million Yen at the Base Date. The REIT designated as “Securities to be delisted”(Seiri Meigara) at the Base Date is not eligible.

(3) Extraordinary Addition

- Although new listing REIT meeting the criteria above is added at the periodic review in principle, however a REIT whose market capitalization weight for the

all listed REITs in the TSE exceeds 1% at the end of the listing month shall be added at the 5th business day of two month after the listing month.

- The newly established REIT due to merger with a constituent REIT shall be added at the listing date.

(4) Extraordinary Removal

- In case that a constituent is designated as “Securities to be delisted”(Seiri Meigara), the constituent will be deleted after 5 business day of its designation.
- In case that a constituent is delisted due to a merger, etc., the constituent is deleted on the delisting date. However, when a newly established REIT by the merger, etc. will be listed promptly, the delisted REIT remains to be a constituent until the listing date of the new REIT at the final market price on the previous business date of its delisting date.

(5) Constituents in the past and on the launch date

- With regards to the constituents used for the retroactive index calculations (see 4-(8) mentioned afterwards), Nikkei shall choose the REITs meet the criteria above (1) from the listing REITs on the Base Date of the each year, and change the constituents on the final business day of the following month. The rule of the Extraordinary Addition/Removal described in the above (3) and (4) has been applied.
- The index constituents as of the launch date were selected from the REITs listed in TSE meeting the criteria above (1) on October 31, 2019 as the Base Date.

4 : Index Calculation

(1) Basic Point

- Nikkei introduces the “Market Capitalization Weight adjusted by ESG Factor Method” to calculate the index. The ESG factor is based on the ESG evaluation rating by GRESB (Global Real Estate Sustainability Benchmark).
- The index level on November 30 2016, the Inception Date is 1,000.
- The unit of the index is “points”. 3th digit is rounded to make the index have 2 digits after the decimal point.
- Calculate the index every 15 seconds on a real-time basis, using the share prices on the Tokyo Stock Exchange while it opens (start the calculation 15 seconds after the opening). The index was calculated on an end-of-day basis from July 20, 2020, the commencement date of the publication to April 23, 2021.

(2) Calculation Formula

- The index value shall be calculated by the following formula.

$$\text{Index value} = \Sigma \{ \text{Share price} \times \text{Weight Factor} \} \div \text{Divisor}$$

(3) Share price

- Prices used for the calculation are selected in the following order of priority.
(i) Special Quote or sequential trade quote, (ii) Traded price, (iii) Base price
(The base price is obtained based on the priority order of ex-rights theoretical price, the last special quote price or sequential trade quote price on the previous day, and the closing price on the previous day.)

(4) Weight Factor

- The Weight Factor used for the index calculation (number of shares for the index) shall be calculated by multiplying the number of shares issued by ESG factor of each constituent. The number of shares issued shall be reflected on the last business day of every February, May, August and November with the numbers at the 20th day (in case of holiday, the previous business day) of each month.
- If an index constituent makes a stock split or reverse split, the Weight Factor shall be adjusted corresponding to the ratio of the split or reverse split on the ex-date. In case of the corporate action on February, May, August or November, the Weight Factor shall be adjusted with the number of shares issued at the 20th day corresponding to the ratio and be reflected at the last business day of the month.

(5) ESG Factor

- The ESG factor shall be decided in line with the Real Estate Assessment rating (number of stars) by GRESB as follows. The factor shall be reflected at the periodic review, the end of every November.

Rating (number of stars)	ESG Factor
None	1
1	1.1
2	1.2
3	1.3

4	1.4
5	1.5

- The ESG factor shall be adjusted to make no change to the divisor when the constituent merges with other REIT.

(6) Divisor

- The Divisor on November 30, 2016, the Inception Date is determined by the following formula.

$$\text{Divisor} = \Sigma \{ \text{Share prices} \times \text{Weight Factor on the Inception Date} \} \div 1000$$

- After the Inception Date, the Divisor will be changed every time when the index constituents are changed by using the following formula.

$$\begin{aligned} \text{Divisor tomorrow} &= \text{Divisor today} \\ &\times (\Sigma \{ \text{base prices next day of the index constituents for the next day} \\ &\quad \times \text{Weight Factor for the next day} \}) \\ &\div (\Sigma \{ \text{base prices today of the today's constituents} \\ &\quad \times \text{today's Weight Factor} \}) \end{aligned}$$

- The Divisor will be adjusted for each event as follows. In case of the event when the divisor will not change, the Weight Factor of a constituent will be adjusted as follows.

Event	Divisor	Change Date of the Divisor or the Weight Factor
Constituent Changes	Adjusted	Effective Date of the event
Public Offering, Third-party allotment or Cancellation of treasury stock	Adjusted	The last business day of February, May, August and November
Stock split or Reverse split	No change	Effective Date of the event

Merger (Share exchange)	No change	The Weight Factor of the merging REIT will be adjusted in line with the exchange ratio at the delisting date of merged REIT
Merger (Share transfer)	No change	The newly established REIT will be added with the Weight Factor in line with the transfer ratio at the listing date

- 4th digit is rounded to make the Divisor have 3 digits after the decimal point.

(6) Modification of the index value

- If any event occurs and comes out at a later date where it is necessary to modify the index value, as a general rule, Nikkei reflects the modified data into the index value on the index calculation date coming subsequently after the event comes out, as the date when the event occurs. Retroactive calculation for the modification will not be conducted in principle.

(7) Retroactive calculation in the past

- The index is retroactively calculated to the Inception Date (November 30 2016=1,000) on an end-of-day basis.
- The constituents used for the retroactive calculation are determined described in 3-(5).

5: Others

(1) Total Return Index calculation

Nikkei calculates “Nikkei ESG-REIT Index (Total Return)” and “Nikkei ESG-REIT Index (Net Total Return)” as the related indexes of the “Nikkei ESG-REIT Index” by adding the dividends and the net dividends excluding taxes respectively. These indexes are calculated on an end-of-day basis.

The basic points for the index calculation such as the way to use dividends shall adhere to the Nikkei 225 Total Return Index and the Nikkei 225 Net Total Return Index.

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(4) Contact

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Appendix : Change history of Index Guidebook

July 20, 2020 version	Initial version
April 26, 2021 version	<ul style="list-style-type: none">• Add the description regarding the treatment when a constituents is delisted due to merger in “3:Constituents Management (4)Extraordinary Removal”• Revise the description in “4:Index Calculation (1)Basic Point” due to the calculation interval change (every 15 seconds)