

# Nikkei ESG-REIT Index

## Index Guidebook

Nikkei Inc.

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## 1: Introduction

“Nikkei ESG-REIT Index” is a REIT index comprised of the REITs listed on the Tokyo Stock Exchange weighted by “Market Capitalization Weight adjusted by ESG Factor Methodology”. The ESG factor is based on the ESG evaluation rating by GRESB.

## 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” (Seiri Meigara) 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 in the Universe which meet the following criteria at the end of October of each year (Base Date).
  - Market Capitalization is equal to or more than 20 billion Yen
  - Annual average daily trading value is equal to or more than 50 million Yen (if a REIT is listed for less than 1 year, the average is calculated for the period between the listing and Base date)

However, criteria for the current constituents are:

- Market Capitalization is equal to or more than 10 billion Yen
- Annual average daily trading value is equal to or more than 25 million Yen

### (3) Extraordinary Addition

- Although newly listed REIT is evaluated to be a constituent at the time of the Periodic Review, it may be added to the index on the 5th business day of two month after the listing if its market capitalization is more than 1% of all the

REITs listed on the TSE as at the end of the listing month.

- When new REIT is established as a result of merger with a constituent, such REIT is added to the index on the listing date.

#### (4) Extraordinary Removal

- In case that a constituent is designated as a “Security to be delisted”, the constituent will be deleted after 5 business days of its designation.

#### (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 chose the REITs meeting the criteria (2) above on the Base Date of each year, and change the constituents on the final business day of the following month. The rule of the Extraordinary Addition/Removal described in (3) and (4) above were applied.
- The index constituents as of the launch date were selected by the criteria (2) above 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.
- 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.
- Calculated on an end-of-day basis, using the share prices of the Tokyo Stock Exchange.

#### (2) Calculation Formula

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

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

### (3) Share price

- Prices used for the calculation are selected in the following order of priority.  
(i)Special Quote or sequential trade quote, (ii)Closing 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 revised in February, May, August and November. The numbers as at the 20th day (in case of holiday, the previous business day) are reflected on the last business day of the month. However, in November, changes are reflected in the process of the periodic review.
- If an index constituent goes a stock split or reverse split, the Weight Factor shall be adjusted in line with the ratio of the split or reverse split on the ex-date. In case a constituent goes a stock split or reverse split in February, May, August or November, the month-end Weight Factor reflects the number of shares resulting from the split or reverse split.

### (5) ESG Factor

- The ESG factor shall be determined in line with the Real Estate Assessment rating (number of stars) by GRESB as follows. The factor shall be reflected in the periodic review.

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.

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

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

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

- The Divisor will be adjusted for each event as follows. In case of the event when the divisor will not be changed, 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	The Weight Factor is changed on the 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 on 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.

#### (7) Modification of the index value

- If an event which necessitates modification of the index value becomes known, such event will be reflected in the first calculation of the index after such event is known. Past index value is not modified in principle.

#### (8) 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 total return calculation such as the method to incorporate dividends conform to the Nikkei 225 Total Return Index and the Nikkei 225 Net Total Return Index..

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### (4) Contact

Index Business Office, Nikkei Inc.

Tel: +813-6256-7341, mail: [index@nex.nikkei.co.jp](mailto:index@nex.nikkei.co.jp)