

# RETAIL PROPERTIES MARKET DATA

## February 2018(32<sup>nd</sup>) Period Results – Supplementary material

32nd period: September 1, 2017 ~ February 28, 2018

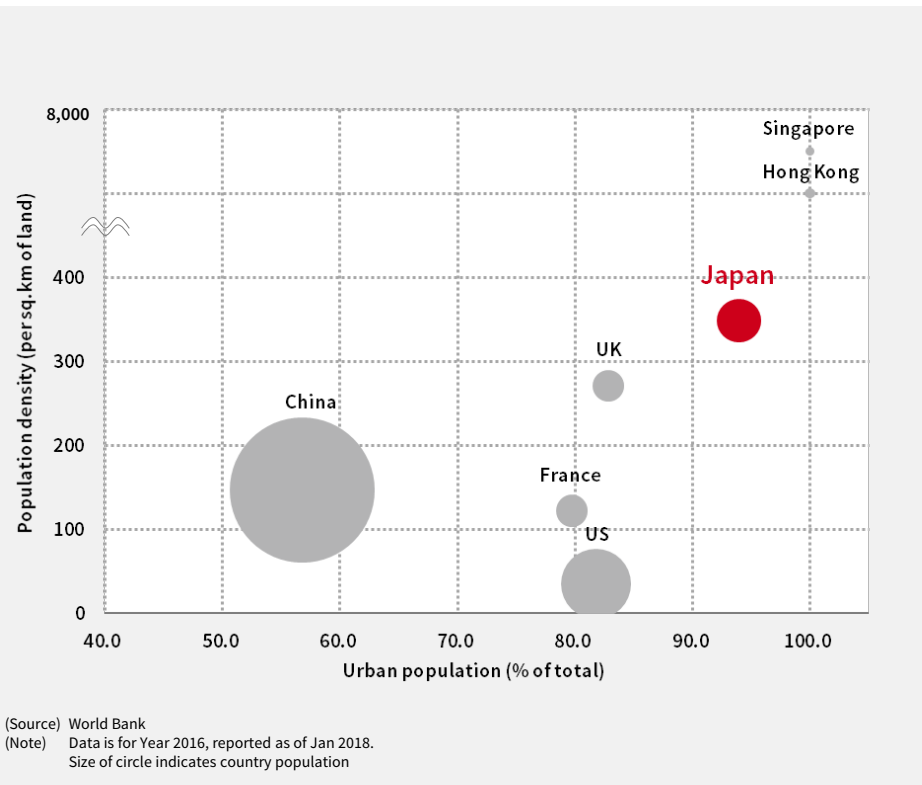
Japan Retail Fund Investment Corporation

<http://www.jrf-reit.com/english/>

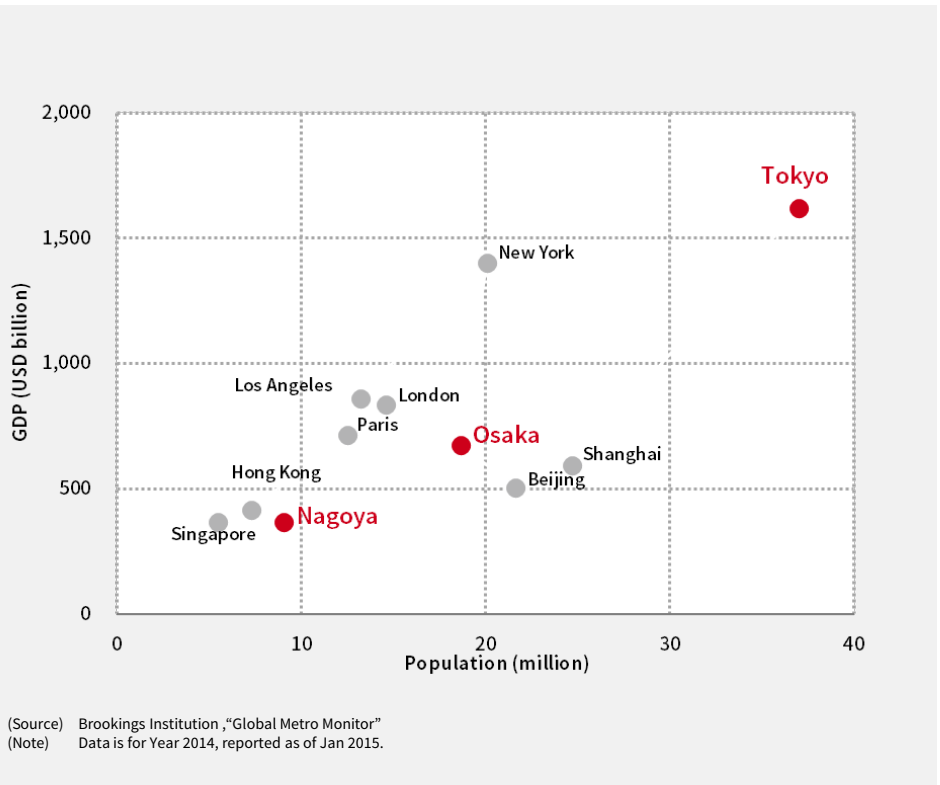
# Japan Retail Fund Investment Corporation

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## Comparison of population density and urban population



## Comparison of GDP and population in major cities



## Key differences between Japan and the US



### Japan

**378** thousand km<sup>2</sup>

Land area

**126.70** million

Population

approx. **335**/km<sup>2</sup>  
(Tokyo: approx. **6,264**/km<sup>2</sup>)

Population density

**Concentrated in urban areas**

(Population of urban area<sup>(Note)</sup>: **93%**)

Demographics

**106%**  
(approx. 50% for urban area)

Car ownership  
(per family)



Mainly by **train**

Commuting method

**US**



**9,628** thousand km<sup>2</sup>

**325.44** million  
(approx. **3** times as Japan)

approx. **34**/km<sup>2</sup>  
(NY: approx. **1,084**/km<sup>2</sup>)

**Relatively diversified**

(Population of urban area<sup>(Note)</sup>: **82%**)











**92%**

Mainly by **car**







**44 stations in Japan are ranked among the global top 50 in term of passenger volume, monopolizing from 1<sup>st</sup> to 23<sup>rd</sup>**

## TOP10 in global ranking of passenger volume in train stations

Rank	Station	Area	Avg. dairy passenger volume	Total retail sales in the surrounding trade area
1	<b>Shinjuku</b>	 Tokyo	3,873,096	1,321 billion JPY
2	<b>Shibuya</b>	 Tokyo	3,238,814	1,113 billion JPY
3	<b>Ikebukuro</b>	 Tokyo	2,630,830	785 billion JPY
4	<b>Umeda</b>	 Osaka/ Nagoya	2,399,736	817 billion JPY
5	<b>Yokohama</b>	 Tokyo	2,047,379	3,475 billion JPY
6	<b>Kitasenju</b>	 Tokyo	1,537,181	504 billion JPY
7	<b>Nagoya</b>	 Osaka/ Nagoya	1,257,960	2,956 billion JPY
8	<b>Tokyo</b>	 Tokyo	1,068,877	908 billion JPY
9	<b>Shinagawa</b>	 Tokyo	995,668	845 billion JPY
10	<b>Takatanobaba</b>	 Tokyo	900,055	1,321 billion JPY

(Reference: Passenger volume for major stations in the US)

Station	Avg. dairy passenger volume
 <b>Times Sq-42 (MTA)</b>	202,363
 <b>Grand Central-42 (MTA)</b>	158,580
 <b>Penn Station New York (NJT)</b>	94,859
 <b>World Trade Center (PATH)</b>	54,574

## Comparison of commercial environment in Japan and the US



### Japan

**\$1.00** trillion

approx. **3,200**

approx. **100**

**11** sq. ft.

**\$7,862**

**Urban areas**

Total retail sales  
(Excluding Motor vehicle & Fuel stores)

# of shopping centers

# of department stores  
(major 5 players)

Retail SF per capita

Retail sales per capita

More retail sales in

### US



**\$3.78** trillion  
(approx. **4** times as Japan)

approx. **47,000**  
(approx. **15** times as Japan)

approx. **3,800**  
(approx. **38** times as Japan)

**24** sq. ft.  
(approx. **2.2** times as Japan)

**\$11,599**  
(approx. **1.5** times as Japan)

**Suburban areas**

## Number of department stores and sales per store in Japan



Major 5 players	Number of stores	Sales per store
Isetan Mitsukoshi	25 stores	434 million USD
Daimaru Matsuzakaya Department Store	19 stores	361million USD
Takashimaya	16 stores	470million USD
Hankyu Hanshin Department Store	16 stores	252million USD
Sogo & Seibu	19 stores	362million USD
<b>Average</b>	<b>19 stores</b>	<b>381million USD</b>

(Source) Compiled by the Asset Management Company based on the disclosure materials of each company in 2016  
 (Note) Sales per store is calculated at 106 yen per 1 dollar

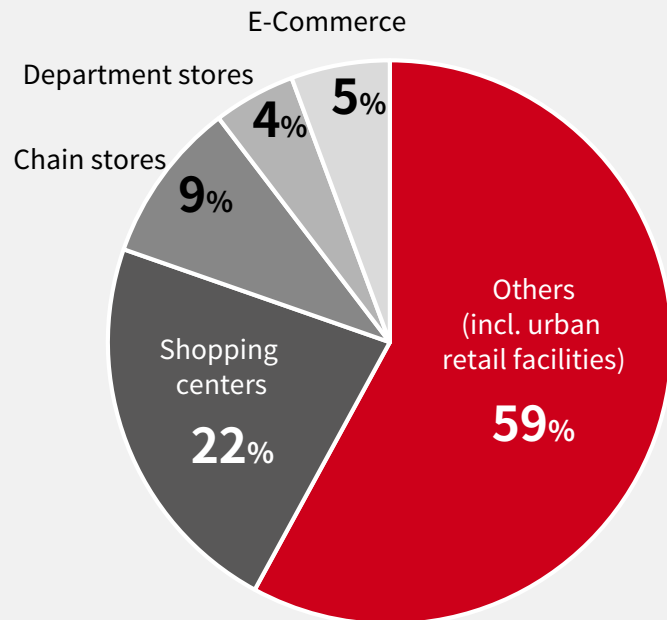
## Number of department stores and sales per store in the US



Major 5 players	Number of stores	Sales per store
Macy's	829stores	31million USD
Sears	<b>695</b> stores	19million USD
Kohl's	1,154stores	16million USD
Nordstrom	117stores	83million USD
J.C.Penney	1,013stores	12million USD
<b>Average</b>	<b>761stores</b>	<b>21million USD</b>

(Source) Compiled by the Asset Management Company based on the disclosure materials of each company as of January 2017

## Breakdown of total retail sales in Japan



(Source) INTERNET RETAILING IN JAPAN (2015)

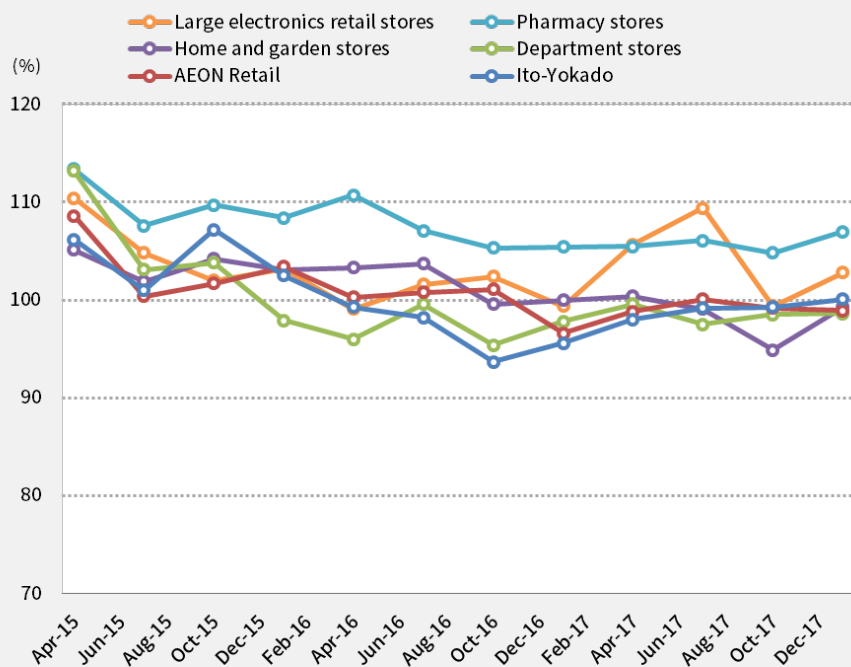
## Breakdown of total retail sales in the US



(Source) INTERNET RETAILING IN JAPAN (2015)

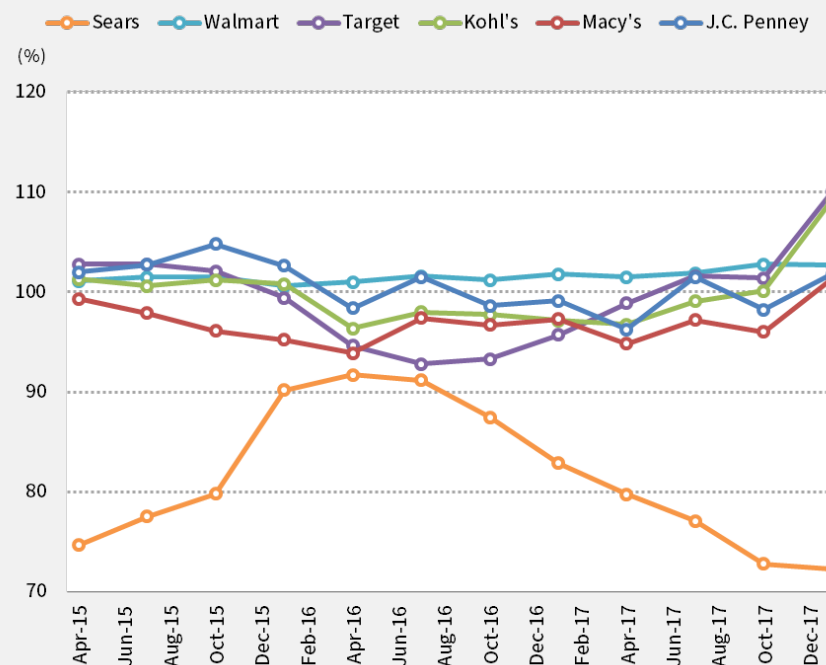


## YoY change in monthly retail sales by major facility types in Japan (Apr. 2015 – Jan. 2018)



(Source) Ministry of Economy, Trade and Industry, "Current Survey of Commerce";  
Based on disclosure documents of each company

## YoY change in quarterly sales by major US retailers (Apr. 2015 – Jan. 2018)



(Source) Based on disclosure documents of each company

## Size of retail market in Japan

### Urban Retail Properties Market Potentials

Annual sales of goods  
**139.8** trillion JPY

Shopping Centers  
**31.3** trillion JPY

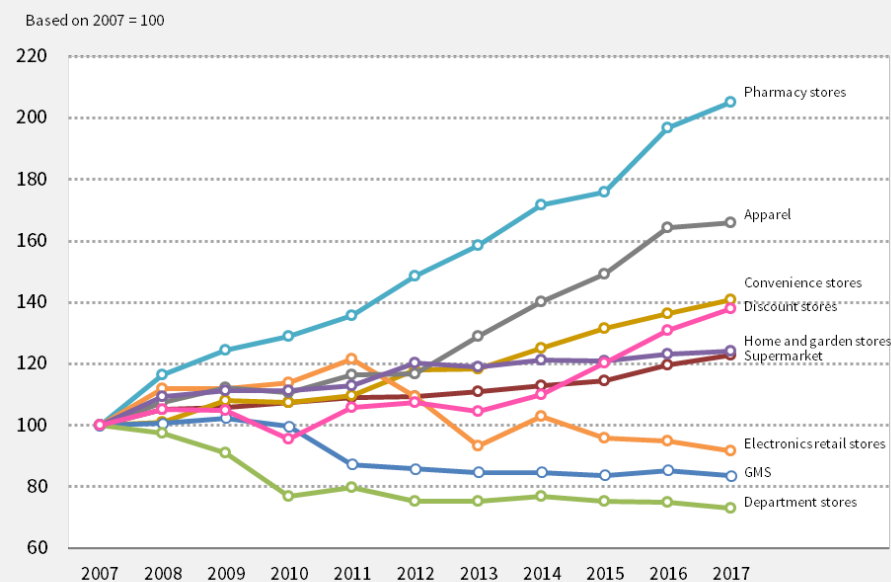
Chains Stores  
**5.6** trillion JPY

Department Stores  
**6.0** trillion JPY

E-Commerce  
**8.0** trillion JPY

(Source) Japan Council of Shopping Centers, "SC White Paper 2017"; The Ministry of Economy, Trade and Industry, "Current Survey of Commerce"; Japan Chain Stores Association "Statistics of Chain Store Sales"; Ministry of Economy, Trade and Industry, "FY 2016" Establishment of infrastructure for data driven society in Japan (Market research on e-commerce)"

## Sales trends of retail industry in Japan



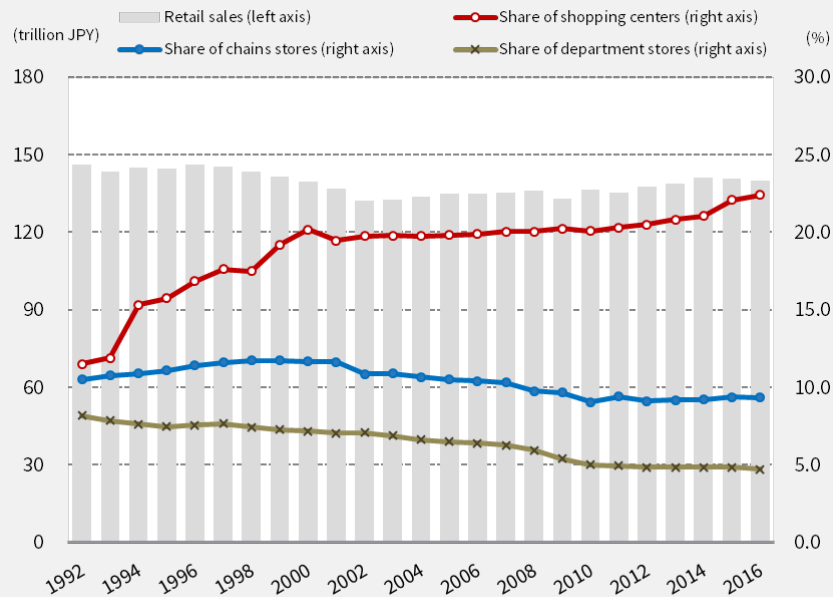
(Source) DIAMOND Chain Store, Chain Store Age  
(Note) 2007 retail sales indexed as 100, based on aggregate figure of top 1,000 retail sales in Japan

## Sales growth rate of retail industry in Japan

Category	CAGR 07-17	Top 3 players
Pharmacy stores	7.4%	Welcia-HD (consolidated), Tsuruha-HD (consolidated), Matsumotokiyoshi-HD (consolidated)
Apparel	5.2%	FAST RETAILING (consolidated), SHIMAMURA, Adastria
Convenience stores	3.5%	7-Eleven, FamilyMart, LAWSON
Discount stores	3.3%	Don Quijote-HD, Trial Company, DIREX
Home and garden stores	2.2%	DCMHD(consolidated), Cainz, KOMERI
Supermarket	2.1%	U.S.M.H. (consolidated), LIFE CORPORATION, ARCS (consolidated)
Electronics retail stores	△0.8%	Yamada Denki, EDION (consolidated), Yodobashi Camera
GMS	△1.8%	AEON Retail, Ito-Yokado, UNY
Department stores	△3.1%	Sogo & Seibu, Takashimaya, Isetan Mitsukoshi

(Source) DIAMOND Chain Store, Chain Store Age  
(Note) CAGR is the average from 2007 to 2017

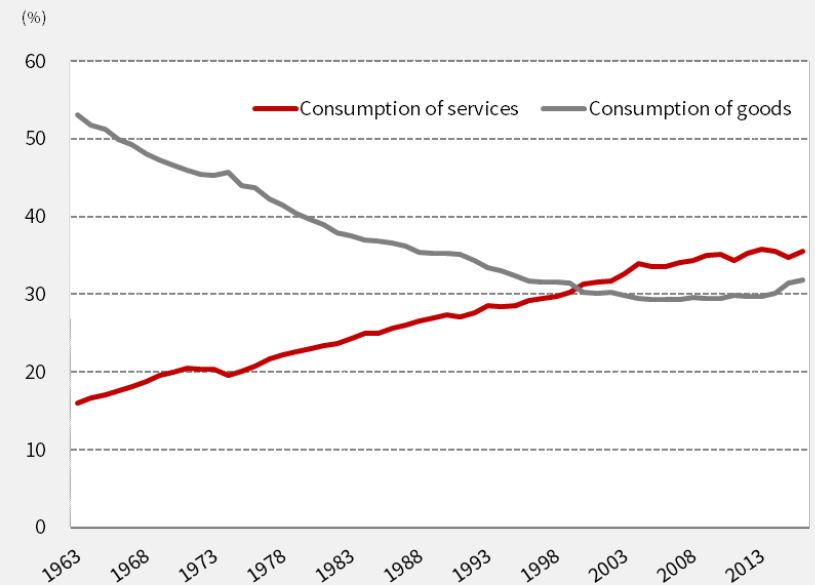
## Total retail market sales and trend of SC, chain stores, department store share



(Source) Japan Council of Shopping Centers, "SC White Paper"; The Ministry of Economy, "Trade and Industry, Current Survey of Commerce"; Japan Chain Stores Association "Statistics of Chain Store Sales"

(Note) The criteria of SC has changed in 2008 from "tenants of product sales are 10 or more" to "tenants including restaurant business and service business are 10 or more". The data after 2008 is based on the new criteria.

## Percentage of goods consumption and services consumption has inverted



(Source) The Ministry of Internal Affairs and Communications, Statistic Bureau, "Family Income and Expenditure Survey (Household Income and Expenses)"

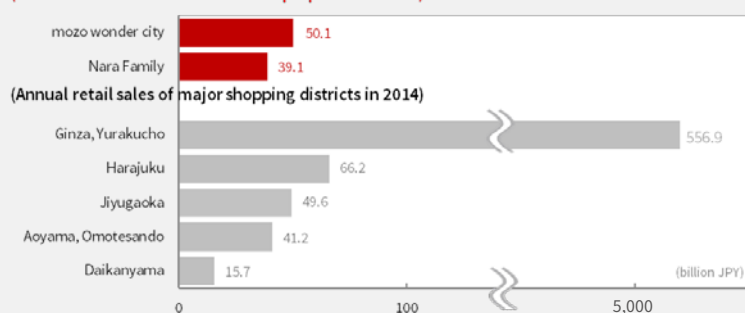
(Note) Survey of workers' households (excluding farming, forestry and fishery households) having two or more persons. For "Consumption of services," the graphic above shows the proportion that the total expenditures for insurance, medical fees, transportation, communication, education, cultural activities and recreation comprise of total consumption expenditures. For "Consumption of goods," the graphic above shows the proportion that the total expenditures for food, furniture, household supplies, clothing, and footwear comprise of total consumption expenditures

## Annual sales of goods <sup>(Note 1)</sup>

### ■ Tokyo: Major commercial area

Area	Annual sales	Share	Number of JRF's properties <sup>(Note 2)</sup> (Percentage) <sup>(Note 3)</sup>
Shinjuku	564.5 billion JPY	6.1 %	1 property (0.9%)
Ginza, Yurakucho	556.9 billion JPY	6.1 %	3 properties (2.8%)
Ikebukuro	551.8 billion JPY	6.0 %	1 property (0.8%)
Shibuya	225.8 billion JPY	2.5 %	1 property (0.5%)
Kichijoji	163.1 billion JPY	1.8 %	2 properties (2.1%)
Futakotamagawa	99.5 billion JPY	1.1 %	—
Harajuku	66.2 billion JPY	0.7 %	1 property (1.0%)
Jiyugaoka	49.6 billion JPY	0.5 %	1 property (0.5%)
Aoyama, Omotesando	41.2 billion JPY	0.4 %	13 properties(10.5%)
<b>Total</b> <sup>(Note 4)</sup>	<b>9,192.8 billion JPY</b>	<b>100.0 %</b>	

### Comparison of annual sales of JRF's suburban properties with major shopping districts (Annual retail sales of our suburban properties in 2017)



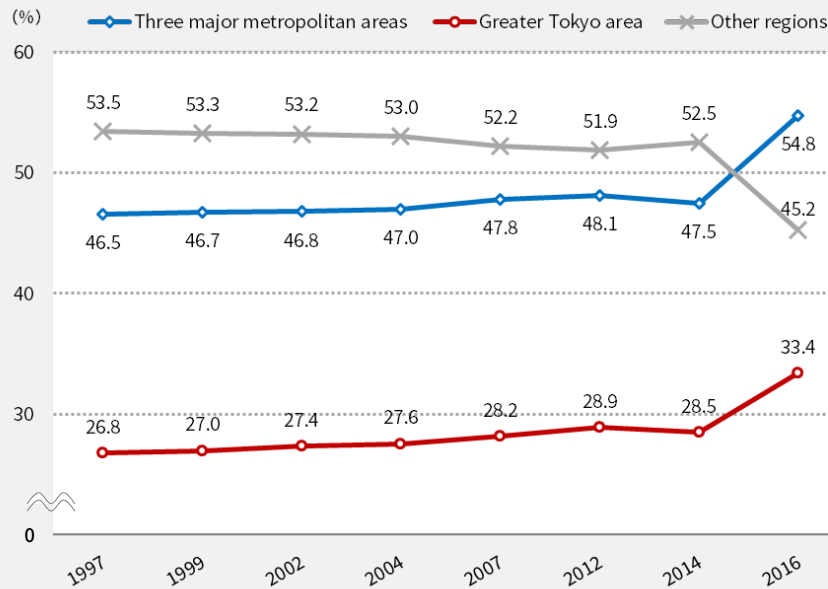
(Source) Annual sales of suburban properties (January through December, 2016); The Ministry of Economy, Trade and Industry, "Census of Commerce Results by Characteristics of Location (Retail Trade)", 2014

### ■ Other than Tokyo: Major commercial area

Area	Annual sales	Share	Number of our properties <sup>(Note 2)</sup> (Percentage) <sup>(Note 3)</sup>
Yokohama (Kanagawa)	488.6 billion JPY	1.4 %	2 property (1.6%)
Shinsaibashi, Namba (Osaka)	469.8 billion JPY	1.3 %	8 properties (10.7%)
Umeda (Osaka)	430.8 billion JPY	1.2 %	1 property (1.1%)
Sakae (Aichi)	382.0 billion JPY	1.0 %	1 property (0.2%)
Sapporo (Hokkaido)	291.3 billion JPY	0.8 %	—
Tenjin (Fukuoka)	280.2 billion JPY	0.8 %	1 property (0.5%)
Sendai (Miyagi)	249.6 billion JPY	0.7 %	1 property (0.5%)
Nagoya Station (Aichi)	196.4 billion JPY	0.5 %	—
Shijo-Kawaramachi (Kyoto)	174.9 billion JPY	0.5 %	3 properties (2.2%)
<b>Total</b> <sup>(Note 5)</sup>	<b>35,742.6 billion JPY</b>	<b>100.0 %</b>	

- (Source) "Census of Commerce Results by Characteristics of Location <Retail Trade>" Ministry of Economy, Trade and Industry (2014)
- (Note 1) Calculated as the sum of annual sales for commercial districts as is indicated in the table for "location-based breakdown" in METI's Census of Commerce
- (Note 2) Number of our properties shows the number of urban type property in the area in our portfolio.  
(Based on 98 properties after acquiring properties that have been announced as of Oct. 16, 2017)
- (Note 3) Based on appraisal value of each property.
- (Note 4) Annual sales of goods in commercial areas in Tokyo.
- (Note 5) Total annual sales of goods other than Tokyo is total annual sales of goods in commercial area in Japan less total annual sales of goods in commercial area in Tokyo.

## Percentage of total annual retail sales in Japan by each region



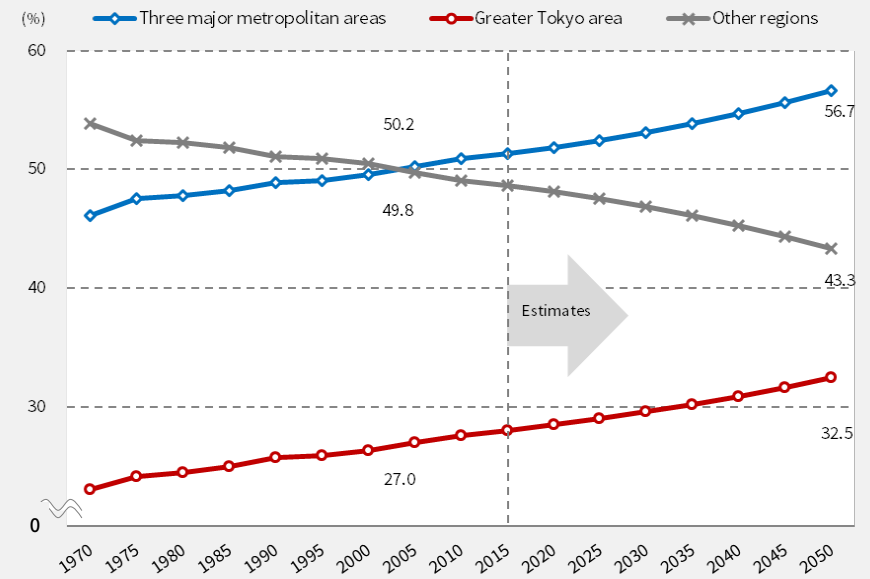
(Source) Ministry of Economy, Trade and Industry, "2016 Economic Census for Business Activity"

\* Greater Tokyo area: Tokyo, Saitama, Chiba, Kanagawa

Three major metropolitan areas: Tokyo, Saitama, Chiba, Kanagawa, Aichi, Osaka, Kyoto, and Hyogo

(Note) The figures prior to 2007 and in 2014 are based on "Census of Commerce"

## Population inflow into three major metropolitan areas and the greater Tokyo area



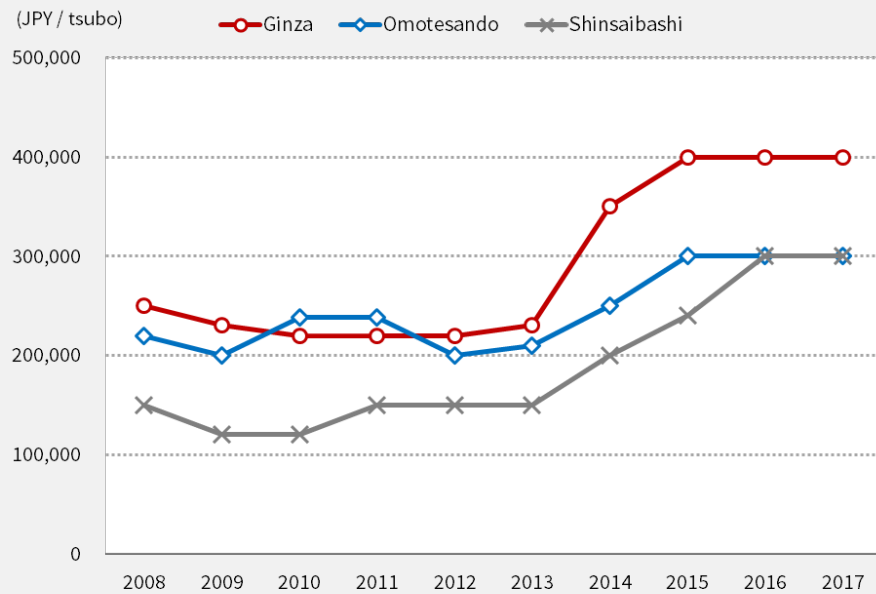
(Source) Ministry of Internal Affairs and Communications, Statistic Bureau, "Census", National Institute of Population and Social Security Research, "Population & Household Projection"

Three major metropolitan areas: Tokyo, Saitama, Chiba, Kanagawa, Aichi, Osaka, Kyoto, and Hyogo

\* Greater Tokyo area: Tokyo, Saitama, Chiba, Kanagawa

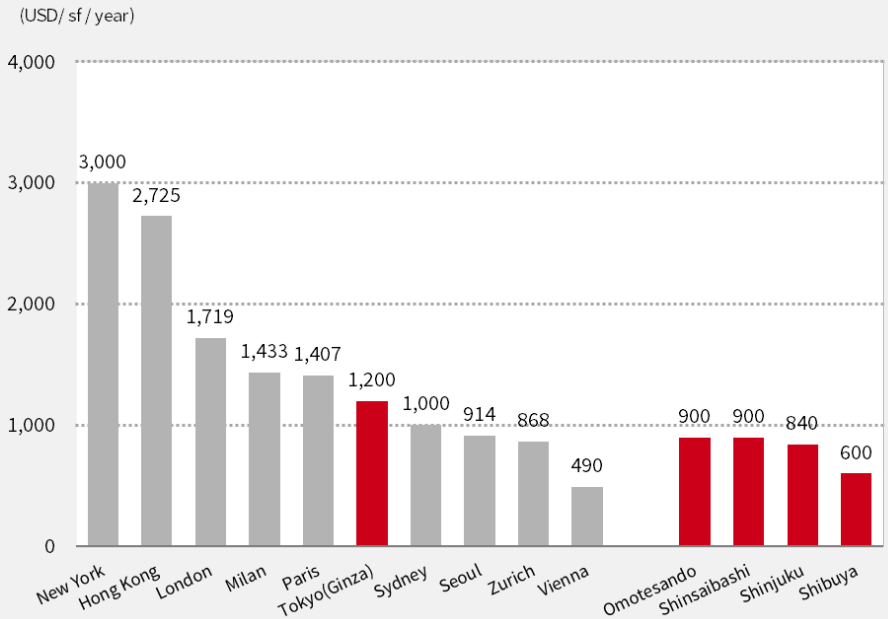
(Note) The data until 2010 is from "Census", the data after 2015 is from the projections calculated based on Census by National Institute of Population and Social Security Research.

## Change in highest rents in major commercial districts



(Source) CBRE "Retail Market Information"

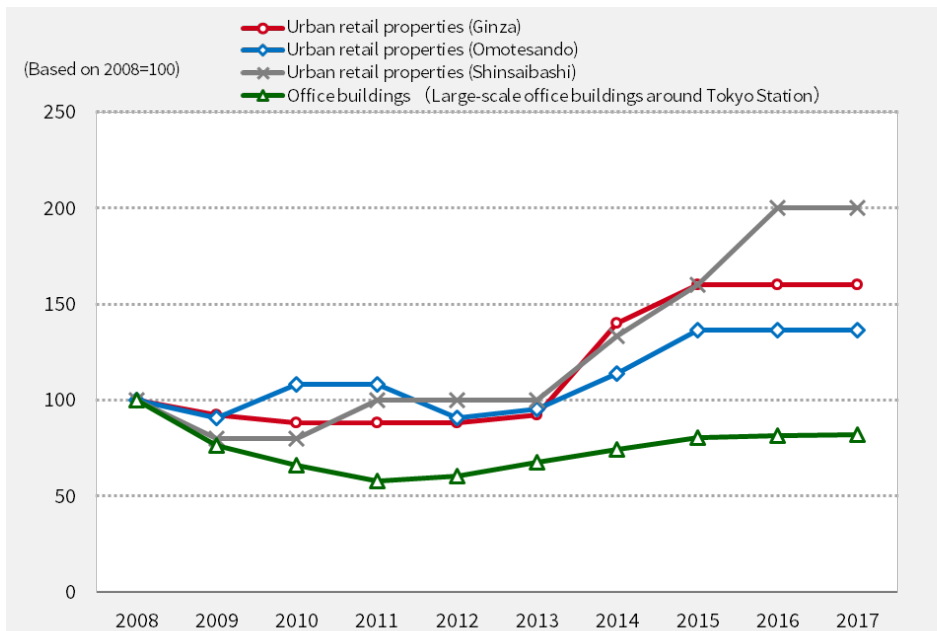
## Rent levels of retail properties in major cities worldwide



(Source) Created by the Asset Manager based on CUSHMAN & WAKEFIELD "MAIN STREET ACROSS THE WORLD 2017"  
CBRE "Retail Market Information"

(Note) Rent levels in local currency converted to US\$ at foreign exchange rate at the end of June 2017 for comparison

## Highest rents in prime locations

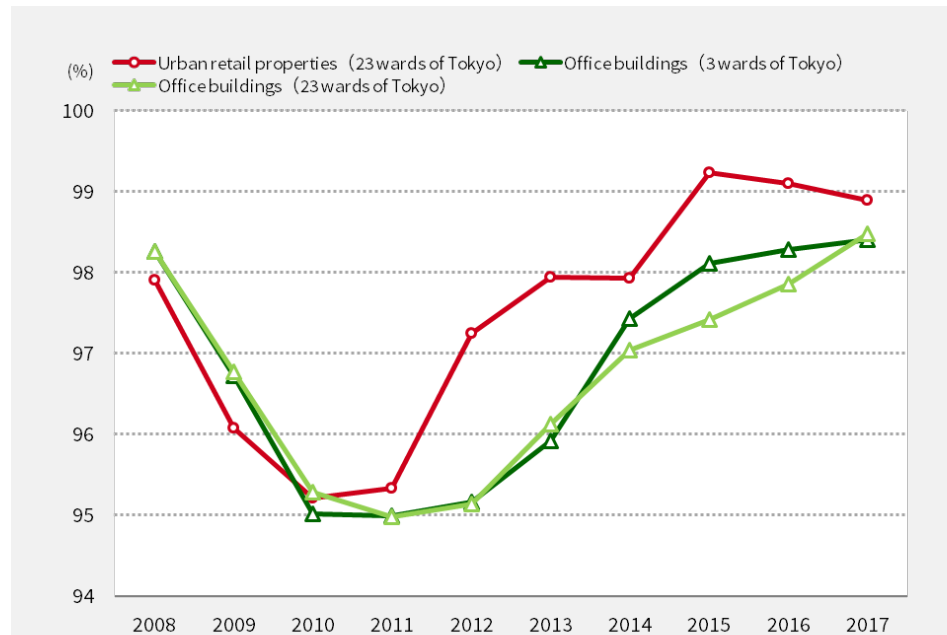


(Source) CBRE "Retail Market Information"

NIKKEI REAL ESTATE MARKET REPORT "survey of contract office rent by area"  
The highest contract rent in 2008 is indexed as 100.

(Note) Large-scale office buildings around Tokyo Station represent those located in the surrounding area (Marunouchi, Otemachi, Yurakucho and Uchisaiwaicho), built within 10 years with more than 300 tsubo of standard floor area.

## Occupancy rate

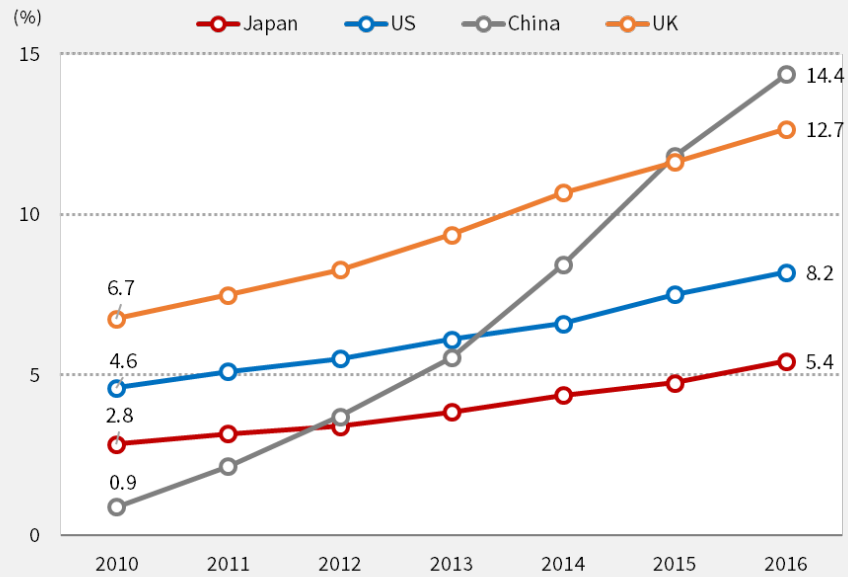


(Source) ARES Japan Property Index

(Note) Office buildings (3 wards of Tokyo) represent Chiyoda-ward, Chuo-ward and Minato-ward.

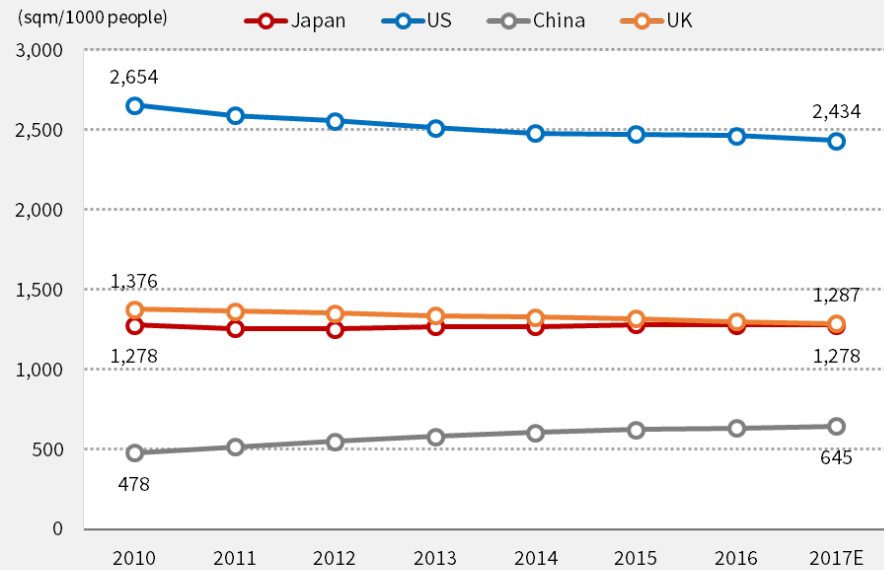


## EC penetration rate by country



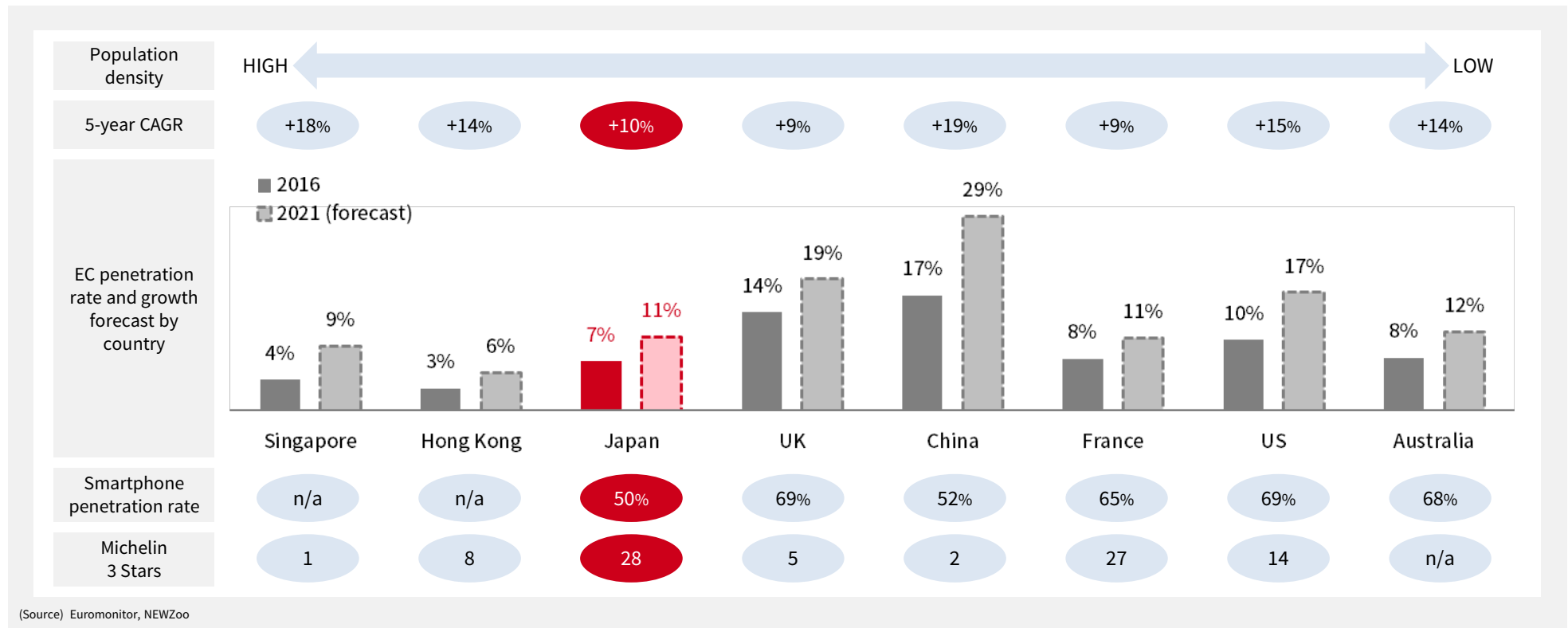
(Source) Japan: Ministry of Economy, Trade and Industry, "FY 2016 Establishment of infrastructure for data driven society in Japan (Market research on e-commerce)"  
 US: United States Department of Commerce, "Latest Quarterly E-Commerce Report"  
 Other countries: Euromonitor International

## Retail Sales area per 1,000 people

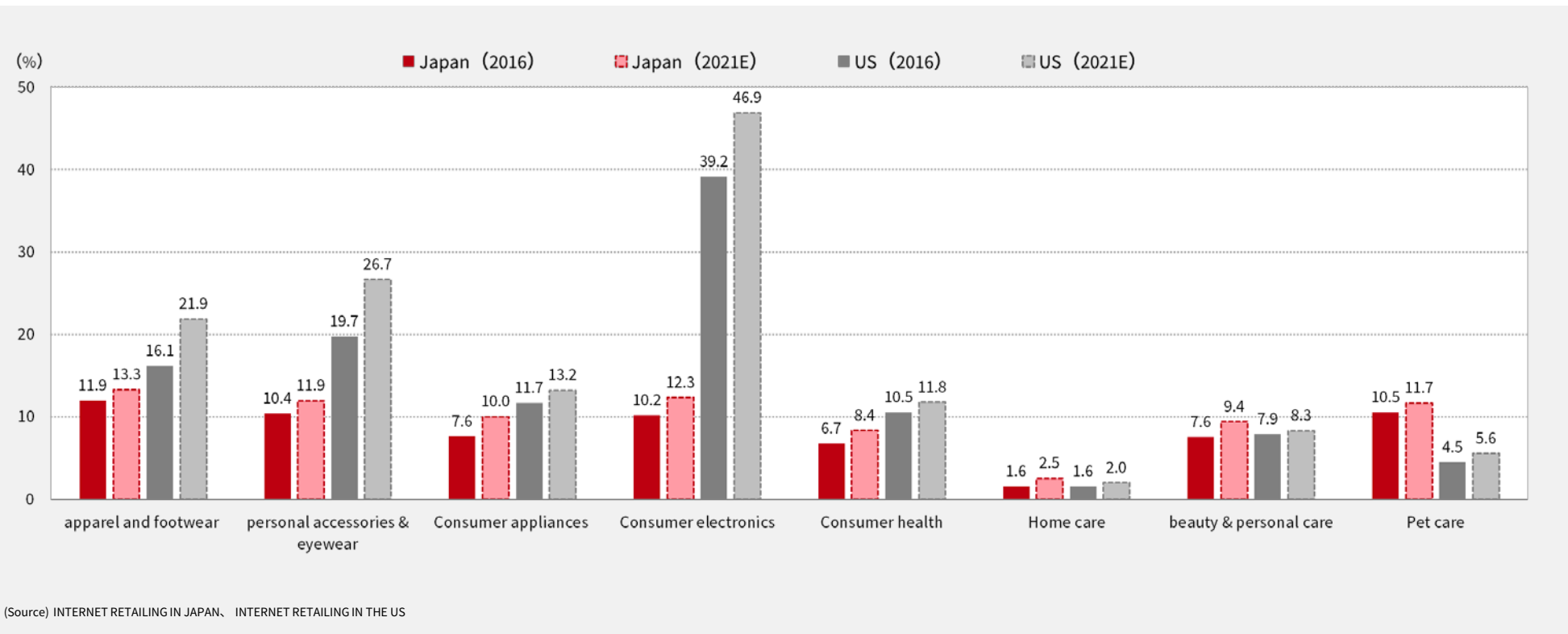


(Source) IMF, Euromonitor International

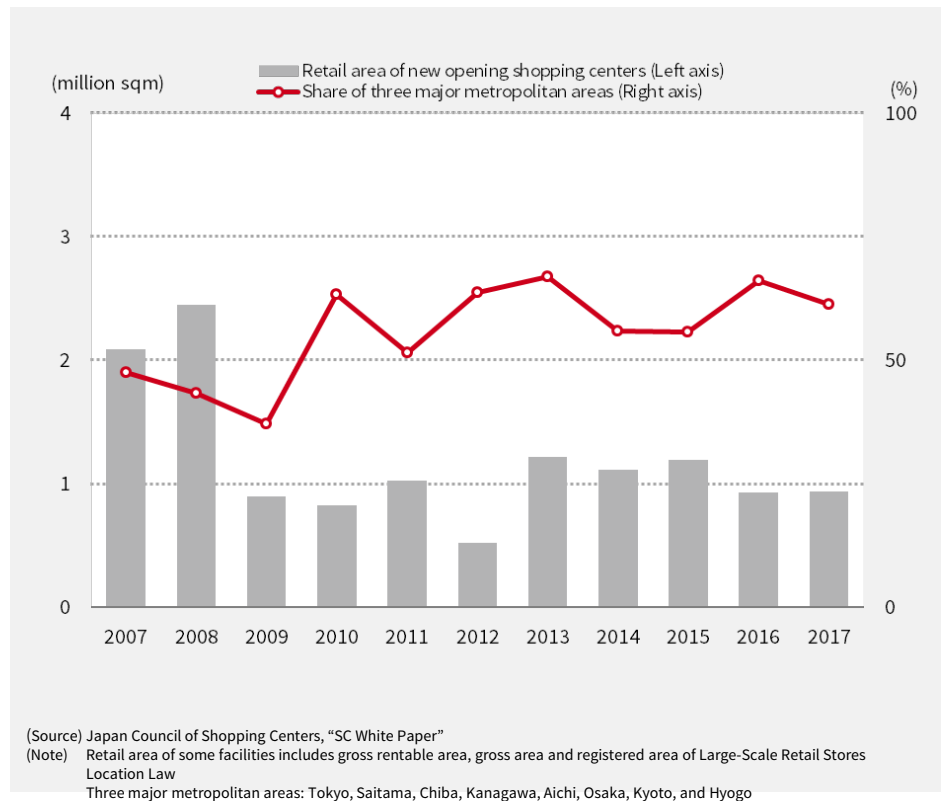
## EC penetration rate and growth forecast by country



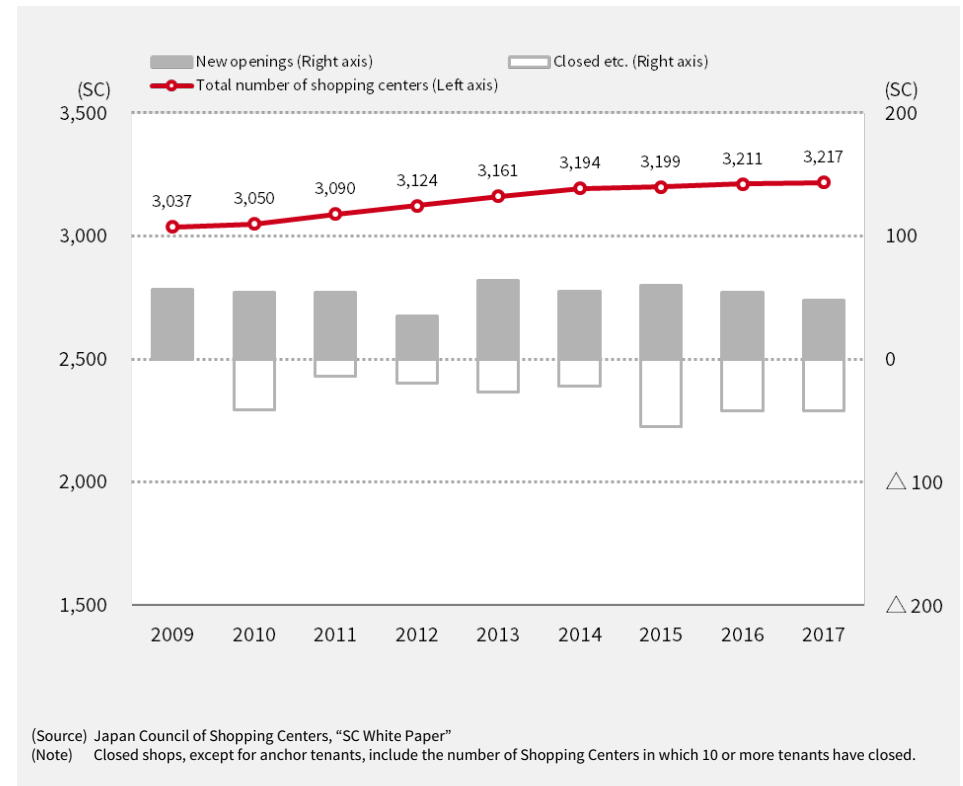
## EC penetration rate in Japan and the US retail sector by sub-industry



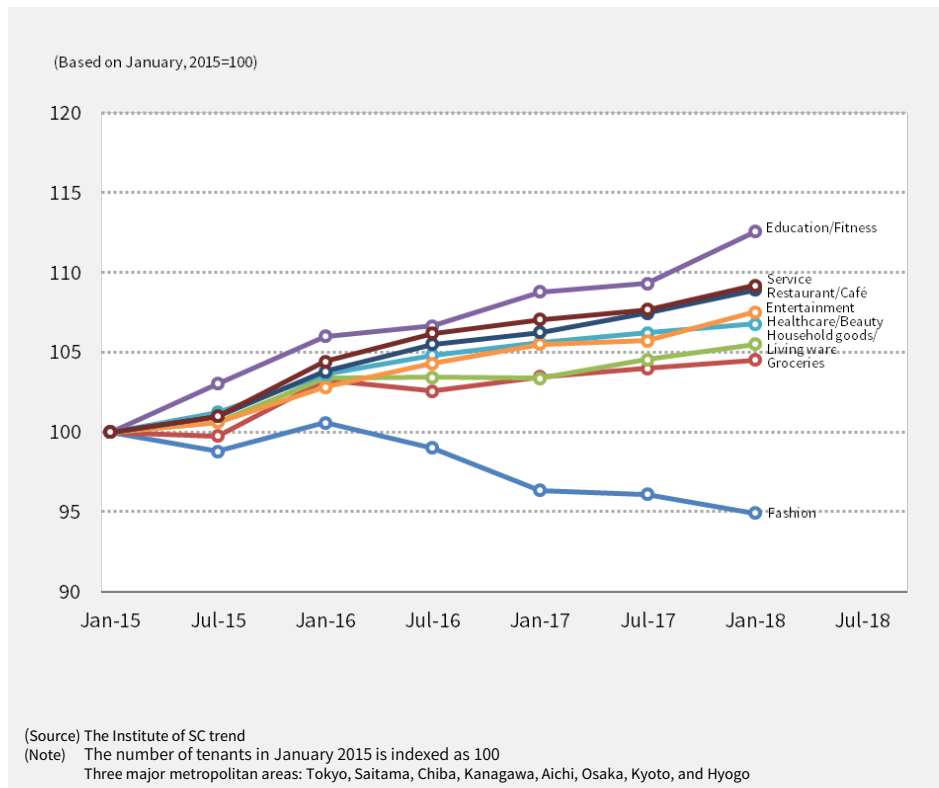
## Retail area of new opening shopping centers and share of three major metropolitan areas



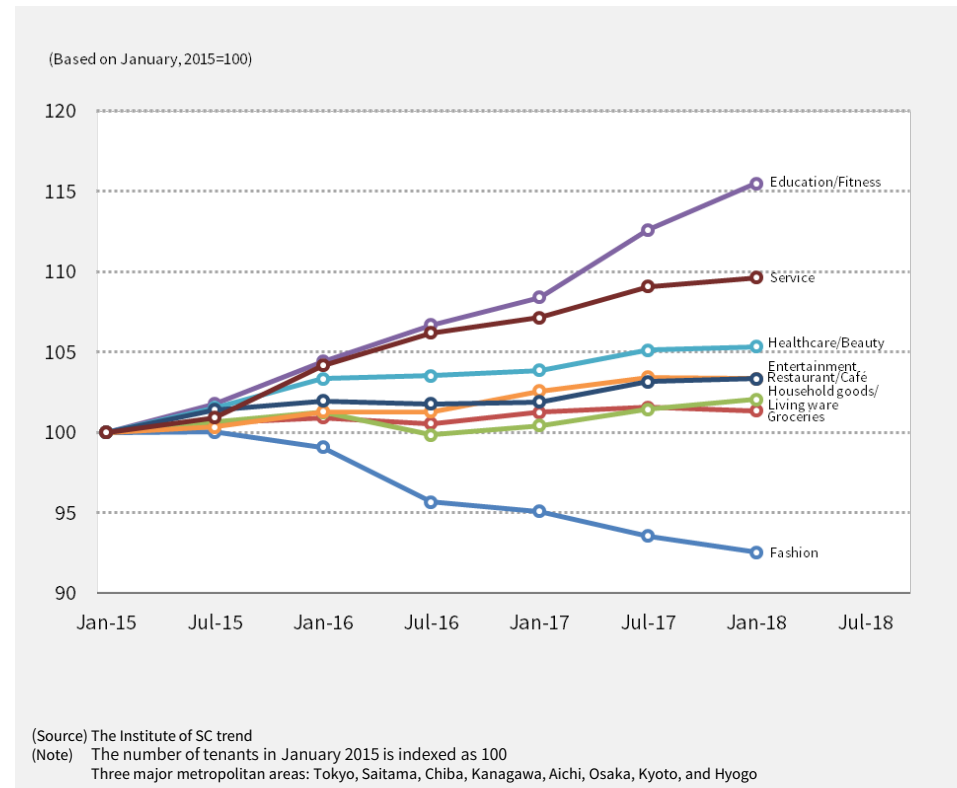
## Trend of the number of shopping centers



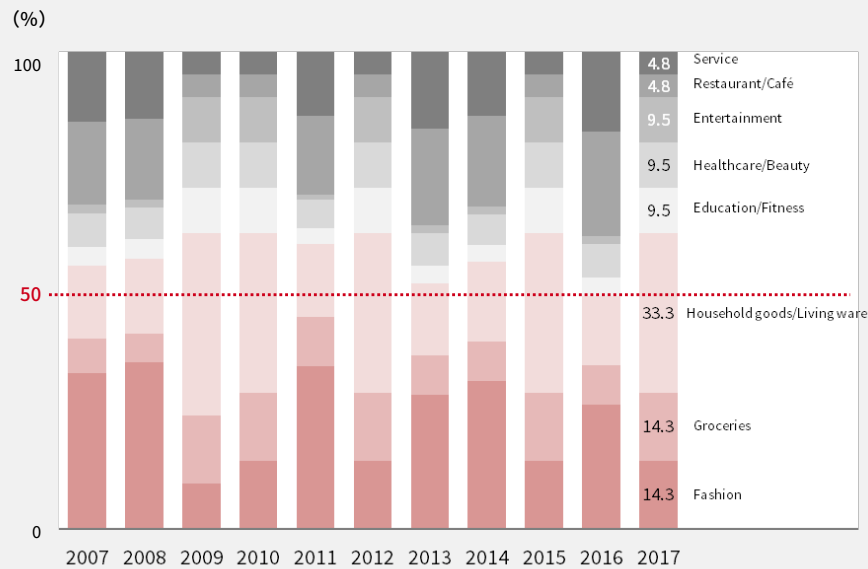
## Trend of store openings/closures of tenants by category in three major metropolitan areas



## Trend of store openings/closures of tenants by category in other than three major metropolitan areas



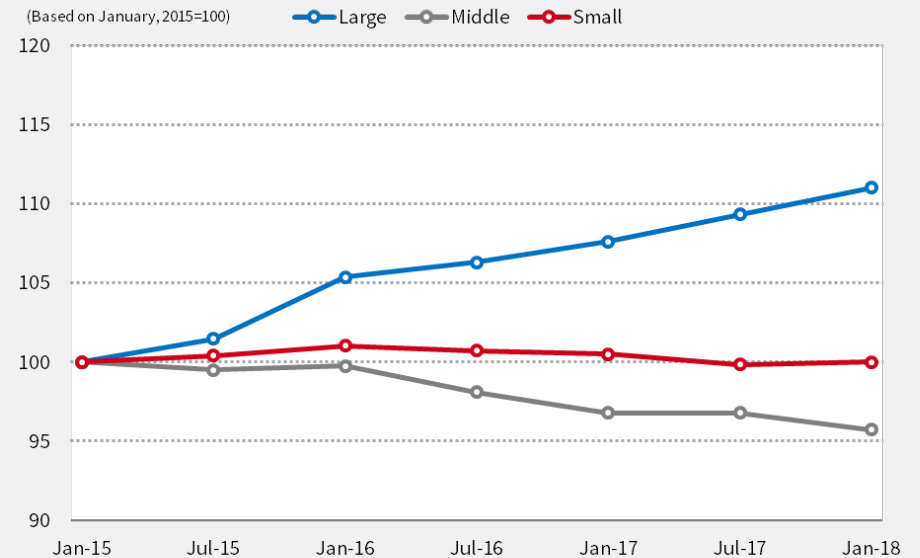
## Trend of proportion of tenant industries for new opening SC



(Source) The Institute of SC trend

(Note) Calculated based on the number of tenants opened in new shopping centers

## Trend of store openings / closures of tenants by SC size



(Source) The Institute of SC trend

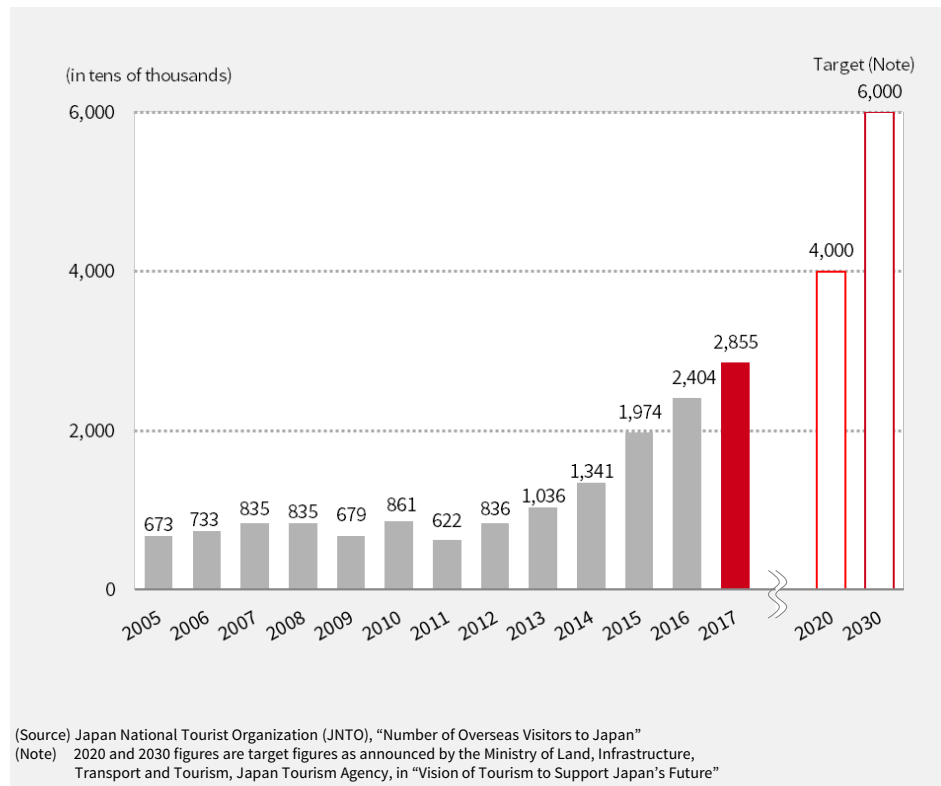
(Note) The number of tenants in January 2015 is indexed as 100

Large: SC with more than 30,000 sqm of total store area

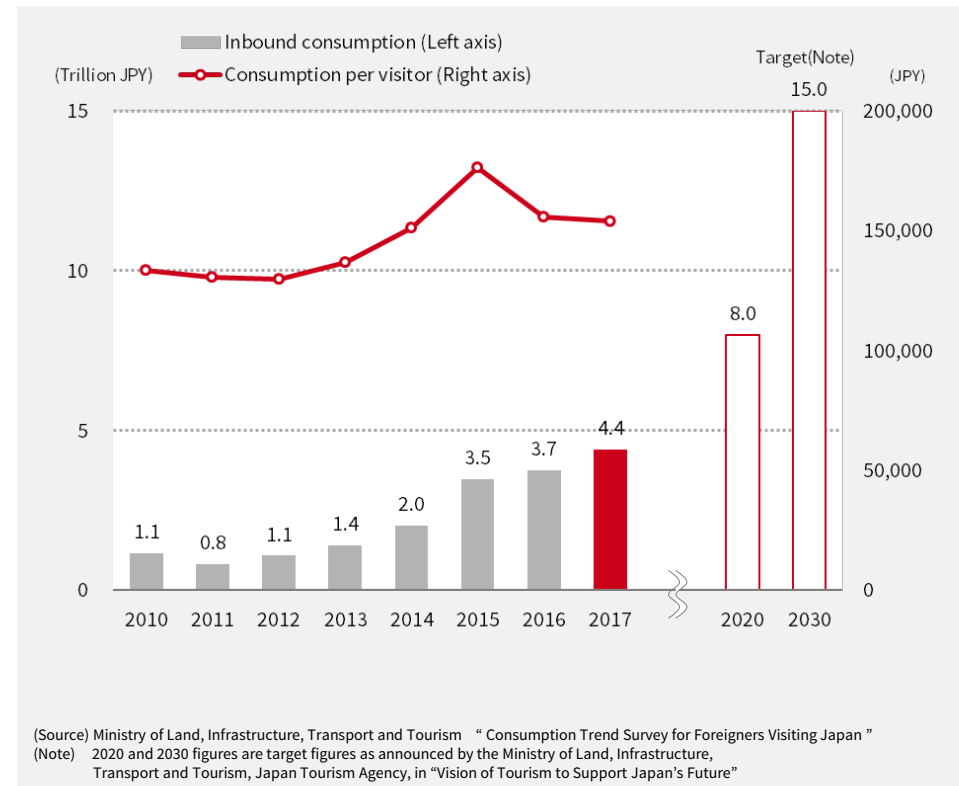
Middle: SC with more than 12,000 sqm and less than 20,000 sqm of total store area

Small: SC with less than 12,000 sqm of total store area

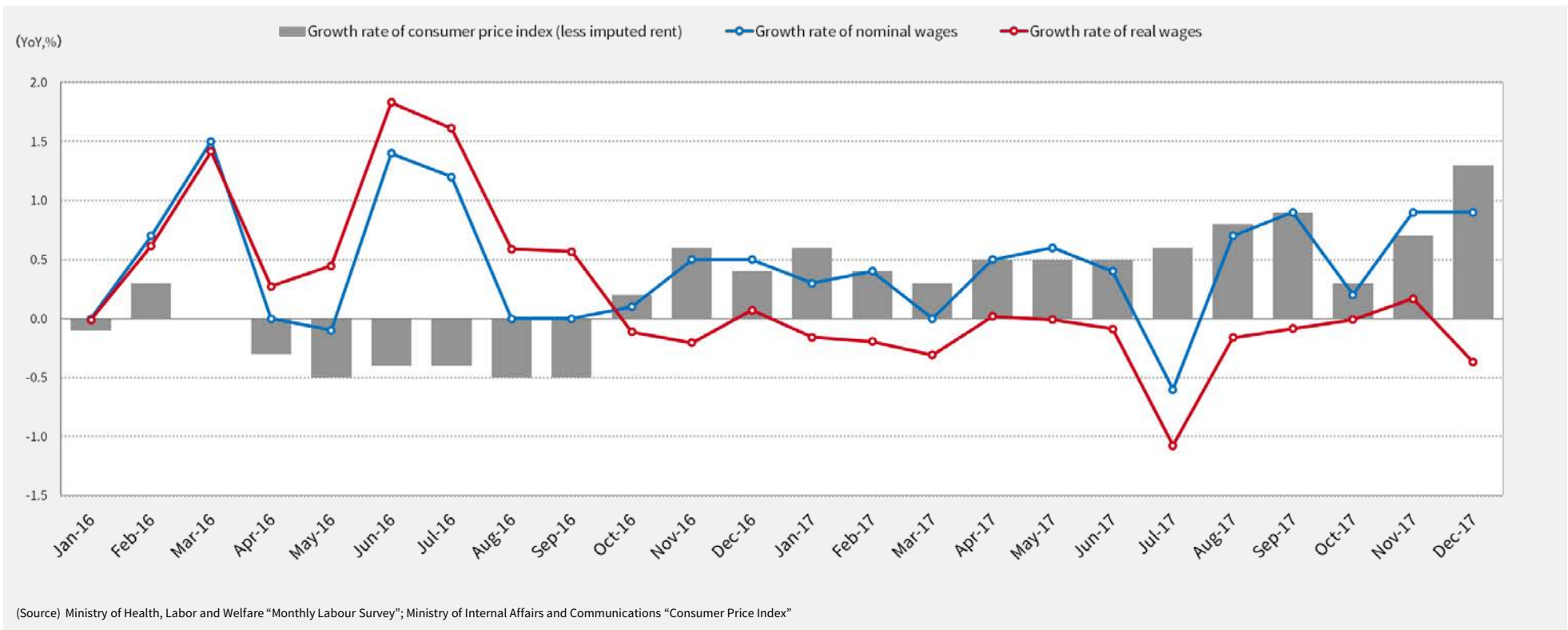
## Number of overseas visitors to Japan



## Historical inbound tourists' consumption



## Wages and consumer price index











Think bold today for a brighter tomorrow.



# Japan Retail Fund Investment Corporation

## **Disclaimer**

- This material may contain information such as data on future performance, plans, management targets, and strategies. Such descriptions with regard to the future are based on current hypotheses and assumptions about future events and trends in the business environment, but these hypotheses and assumptions are not necessarily correct. As such, actual results may vary significantly due to various factors.
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- JRF is a publicly-offered real estate investment corporation (J-REIT) investing in real estate and related assets the prices of which may fluctuate. Unitholders of the Investment Corporation may suffer loss when unit prices decline in the market or an amount of distributions declines, according to economic and interest rate circumstances, a balance of supply and demand for units, real estate market environment, fluctuations of prices of, and rent revenues from real estate properties under management, disasters, aggravation of financial status of JRF and other reasons. For details, please see "Investment Risk" in the Securities Registration Statement (offering circular) and the Securities Report of JRF.

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