

# RETAIL PROPERTIES MARKET DATA

## August 2018(33<sup>rd</sup>) Period Results – Supplementary material

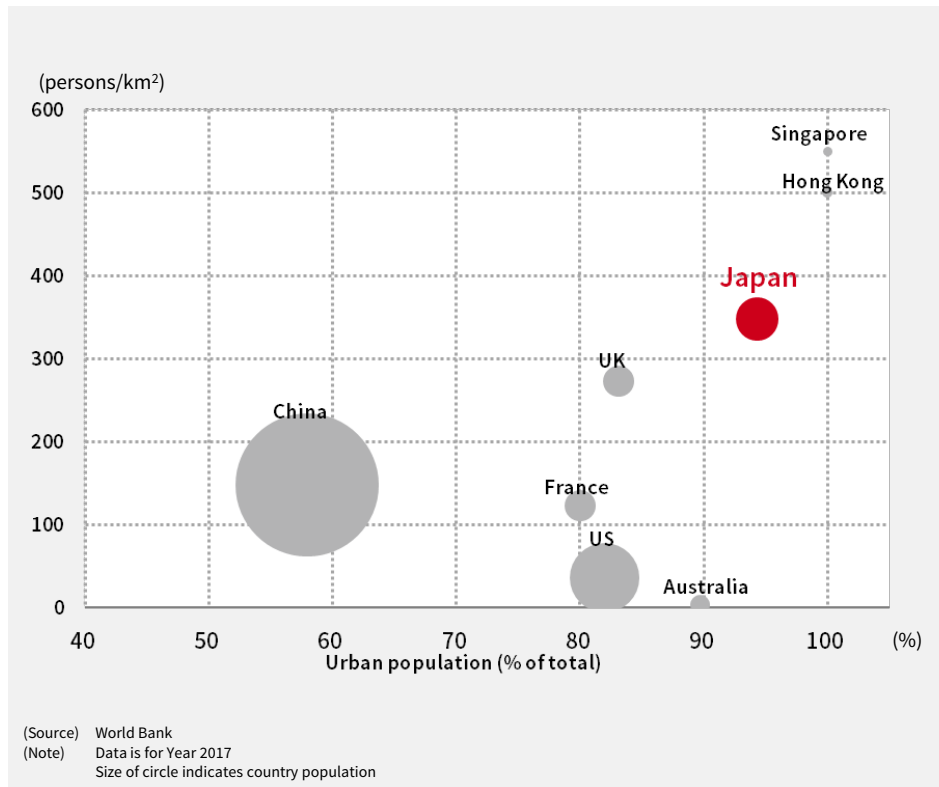
33rd period: March 1, 2018 ~ August 31, 2018

Japan Retail Fund Investment Corporation

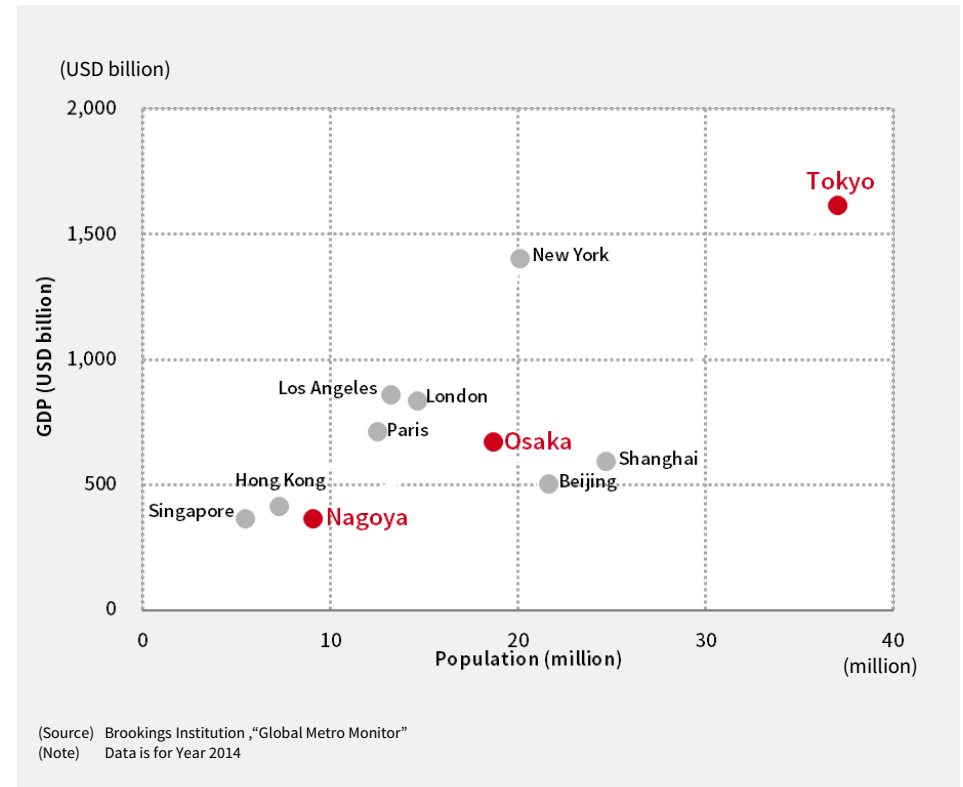
<http://www.jrf-reit.com/english/>

● Population Concentration in Urban Areas	P. 2	● Rents of Urban Retail Properties	P. 14
● Key Differences between Japan and the US	P. 3	● The view of retrials for brick-and-mortar stores	P. 16
● Comparison of Passengers at Stations in Japan and the Global	P. 4	● EC penetration rate by country	P. 17
● Comparison of Commercial Environment in Japan and the US	P. 5	● Japan's EC penetration rate	P. 19
● Retail Sales in Japan and the US	P. 6	● Recent Trend of Shopping Centers (SC) in Japan	P. 20
● Market Potentials of Urban Retail Properties	P. 7	● Impact from inbound tourists in Japan	P. 23
● Growth Trend of Retail Industry in Japan	P. 8	● Trend of Inbound tourists in the world	P. 25
● Population trend in Japan	P. 11	● Trend of CPI and wages in Japan	P. 26
● Working hours of Japanese workers	P. 13	● Trend and Outlook of Consumption Tax Hike in Japan	P. 27

## 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

**126.49** 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>

**324.34** million  
(approx. **2.5** 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%**

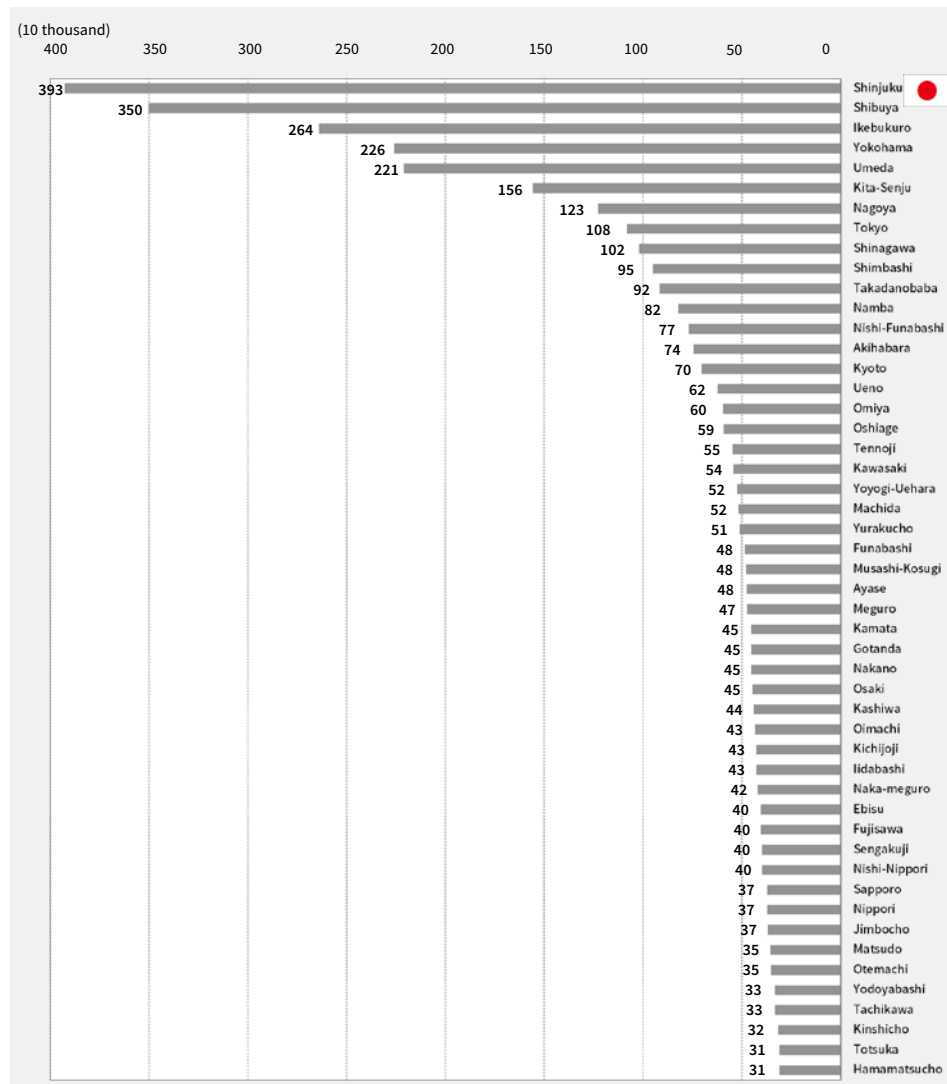
Mainly by **car**



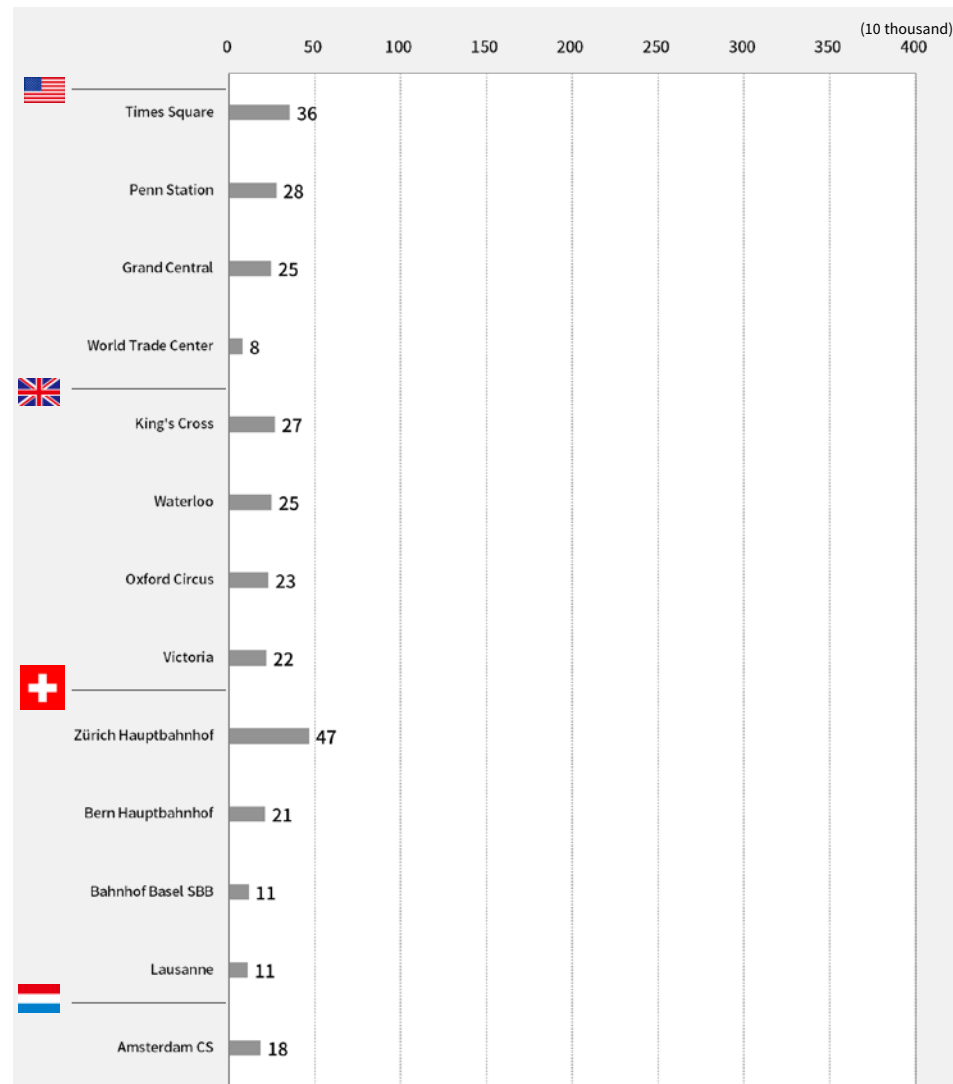
# Comparison of Passengers at Stations in Japan and a Global

4

## TOP50 in Japan ranking of passenger volume in train stations



## Passenger volume for major stations at a global



(Source) List on this page is created by the Asset Management Company based on each train company source

(Note) Data is for year 2016

## Comparison of commercial environment in Japan and the US



### Japan

**\$1.00** trillion

approx. **3,200**

approx. **90**

**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)

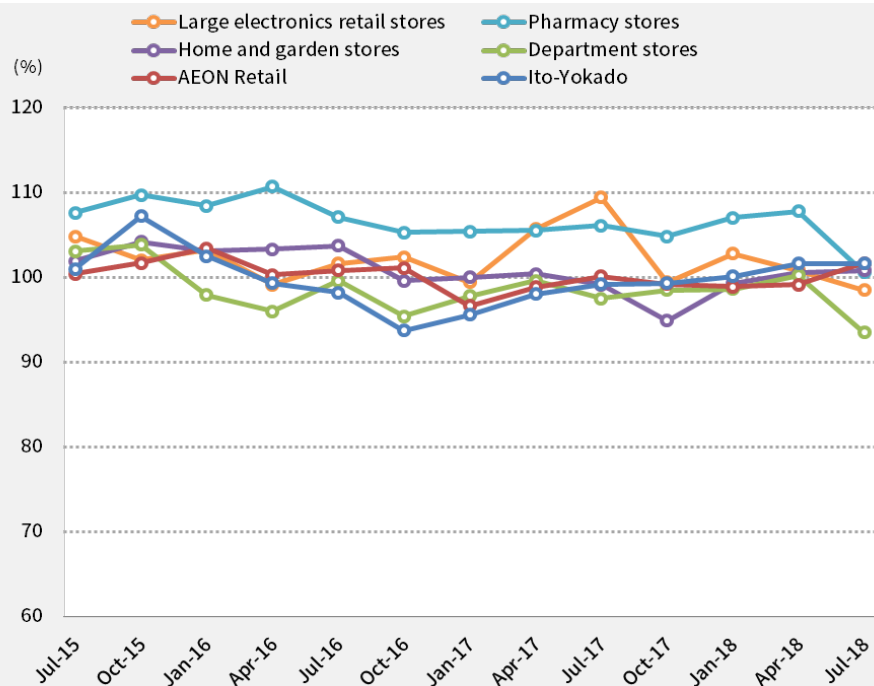
approx. **3,400**  
(approx. **38** times as Japan)

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

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

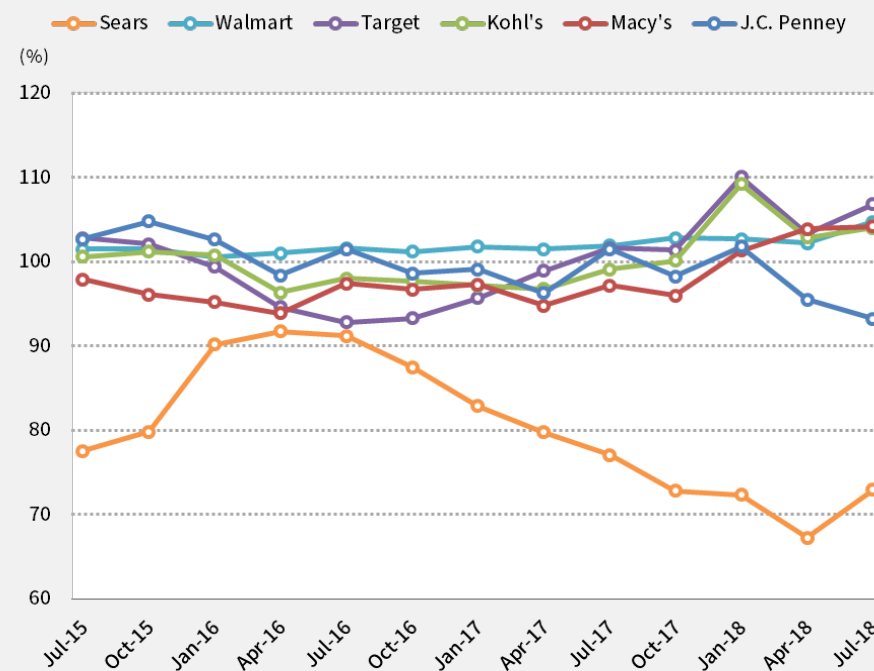
**Suburban areas**

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



(Source) Based on disclosure documents of each company

## Size of retail market in Japan

### Urban Retail Properties Market Potentials

Annual sales of goods  
**142.5** trillion JPY

Shopping Centers  
**32.4** trillion JPY

GMS  
**5.9** trillion JPY

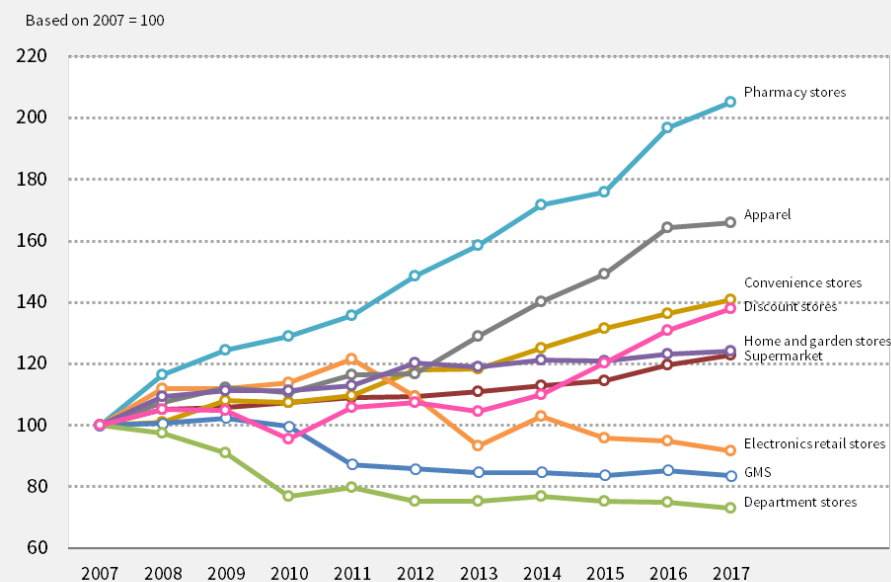
Department Stores  
**6.5** trillion JPY

E-Commerce  
**8.6** trillion JPY

(Source) Japan Council of Shopping Centers, "SC White Paper 2018"; 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 2017" 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

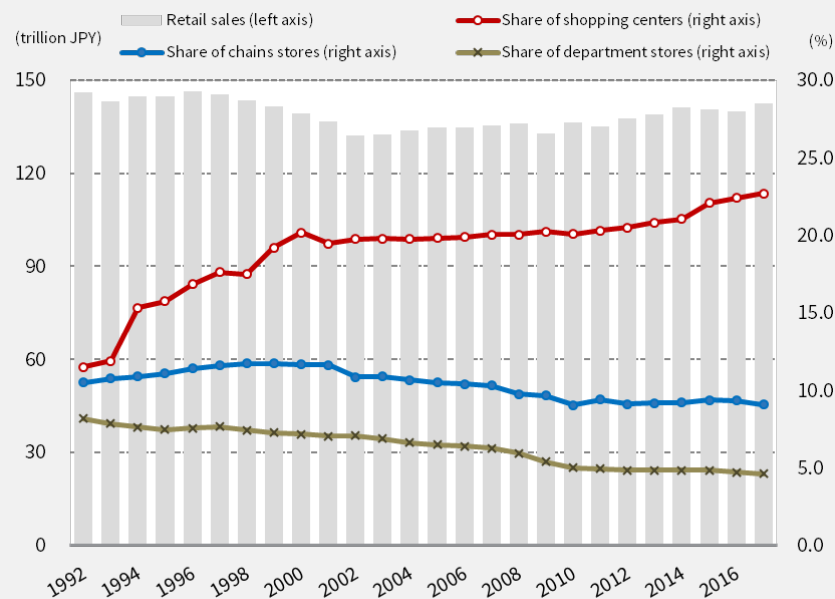
## Sales growth rate of retail industry in Japan

Category	CAGR	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

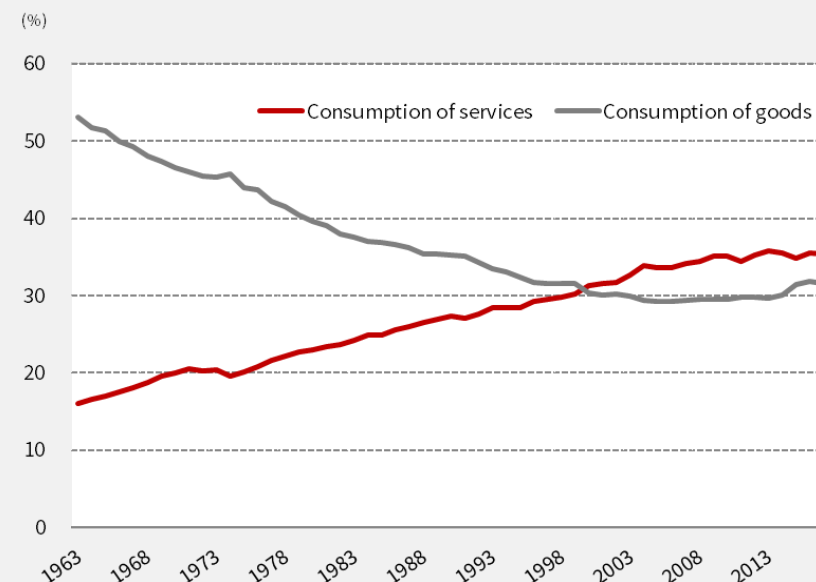
## Total retail market sales and trend of SC, chain stores, department store share



(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

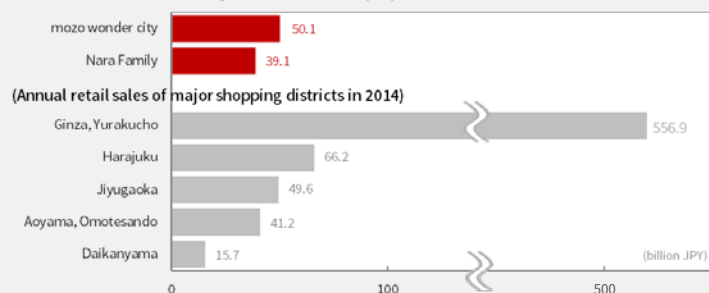
Area	Annual sales	Share	Number of JRF's properties <sup>(Note 2)</sup> (Percentage) <sup>(Note 3)</sup>
Shinjuku	564.5 billion JPY	6.1 %	1 property (0.9%)
Ginza, Yurakucho	556.9 billion JPY	6.1 %	3 properties (2.9%)
Ikebukuro	551.8 billion JPY	6.0 %	1 property (0.8%)
Shibuya	225.8 billion JPY	2.5 %	1 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 (1.1%)
Jiyugaoka	49.6 billion JPY	0.5 %	1 property (0.5%)
Aoyama, Omotesando	41.2 billion JPY	0.4 %	13 properties(10.8%)
<b>Total</b> <sup>(Note 4)</sup>	<b>9,192.8 billion JPY</b>	<b>100.0 %</b>	

### ■ 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 (1.7%)
Shinsaibashi, Namba (Osaka)	469.8 billion JPY	1.3 %	8 properties (10.8%)
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 %	—
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>	

### Comparison of annual sales of JRF's large scale commercial properties with major shopping districts

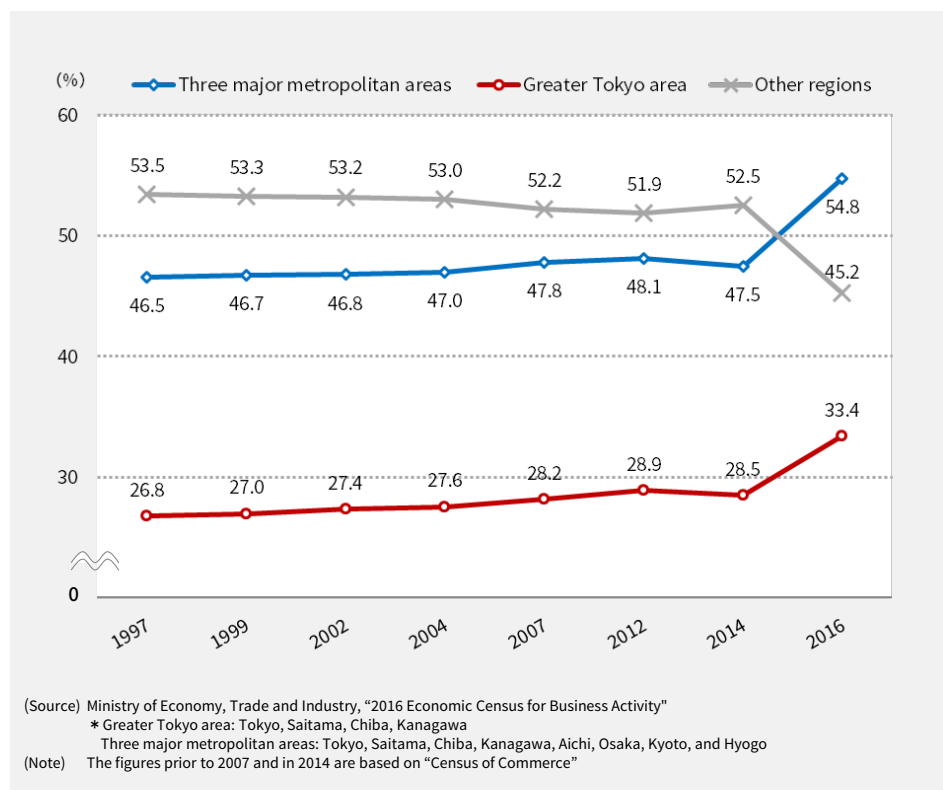
(Annual retail sales of our large scale commercial properties in 2017)



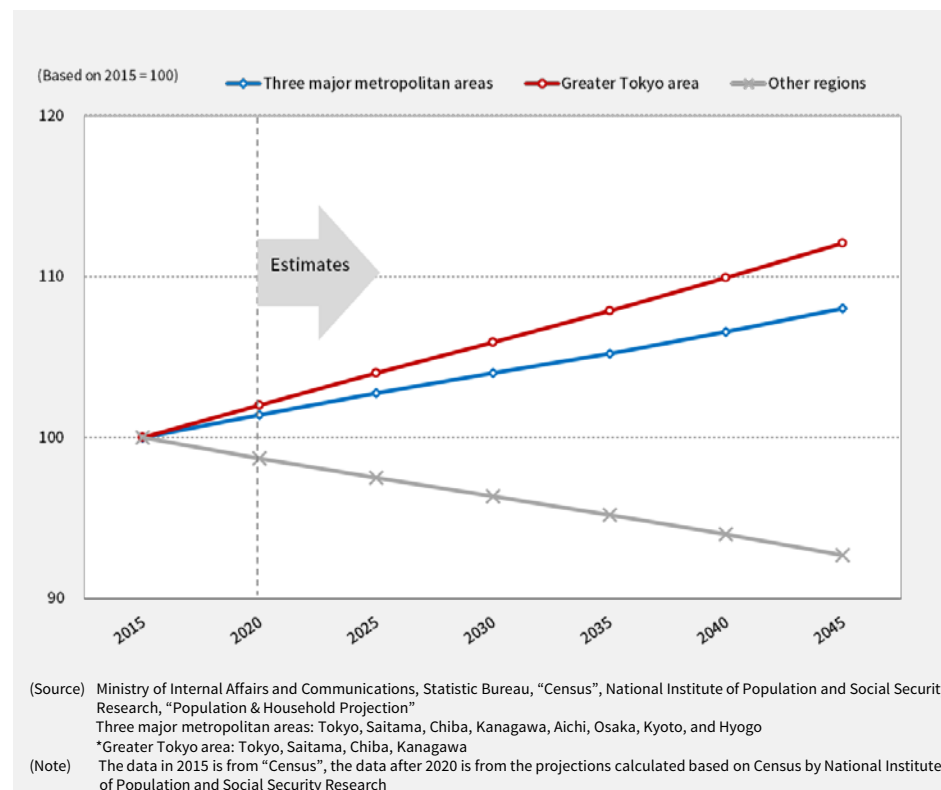
(Source) Annual sales of suburban properties (January through December, 2017); The Ministry of Economy, Trade and Industry, "Census of Commerce Results by Characteristics of Location (Retail Trade)", 2014

- (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 our property in the area in our portfolio.  
(Based on 98 properties after acquiring properties that have been announced as of Aug. 31, 2018)
- (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.

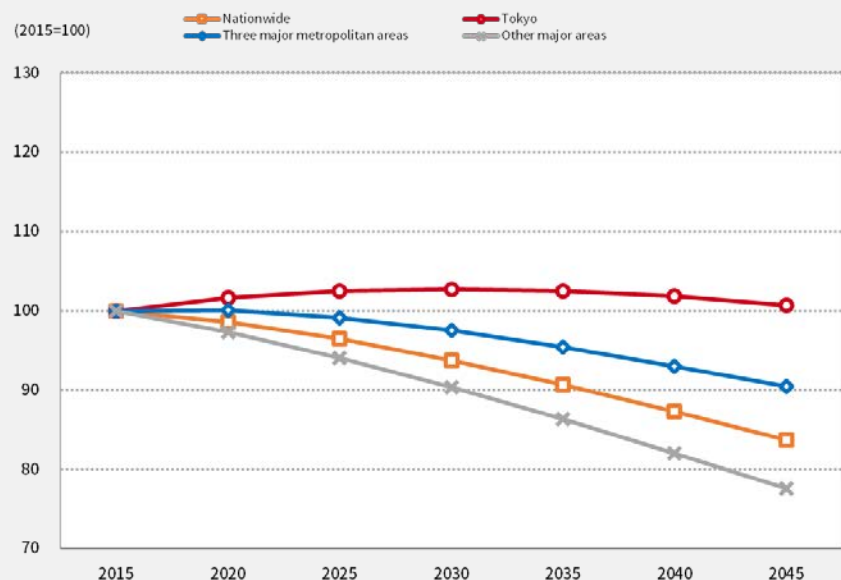
## Percentage of total annual retail sales in Japan by each region



## Forecast population composition ratio of the three major metropolitan areas and the Greater Tokyo area to the total population



## Population outlook for Japan

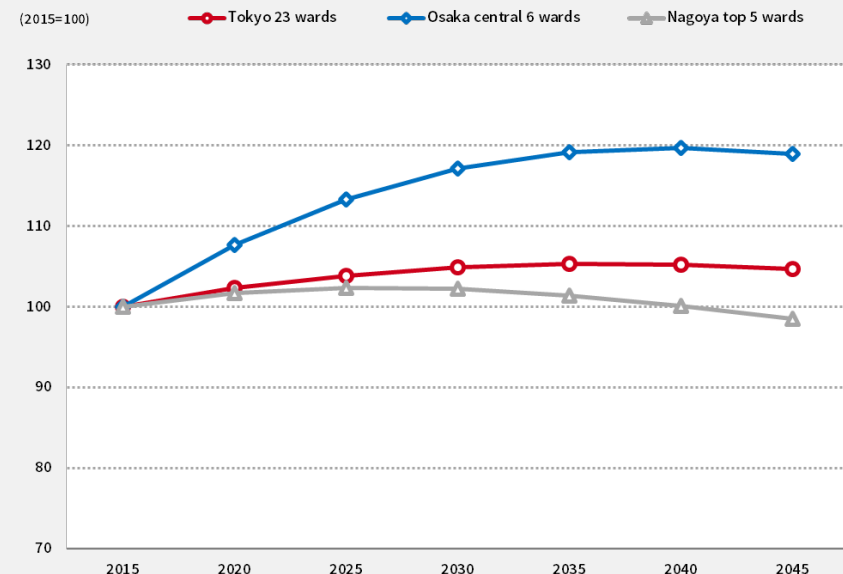


(Source) Ministry of Internal Affairs and Communications, Statistic Bureau, "Census", National Institute of Population and Social Security Research, "Population & Household Projection"

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

(Note) The data in 2015 is from "Census", the data after 2020 is from the projections calculated based on Census by National Institute of Population and Social Security Research.

## Population outlook for the three metropolitan areas central districts



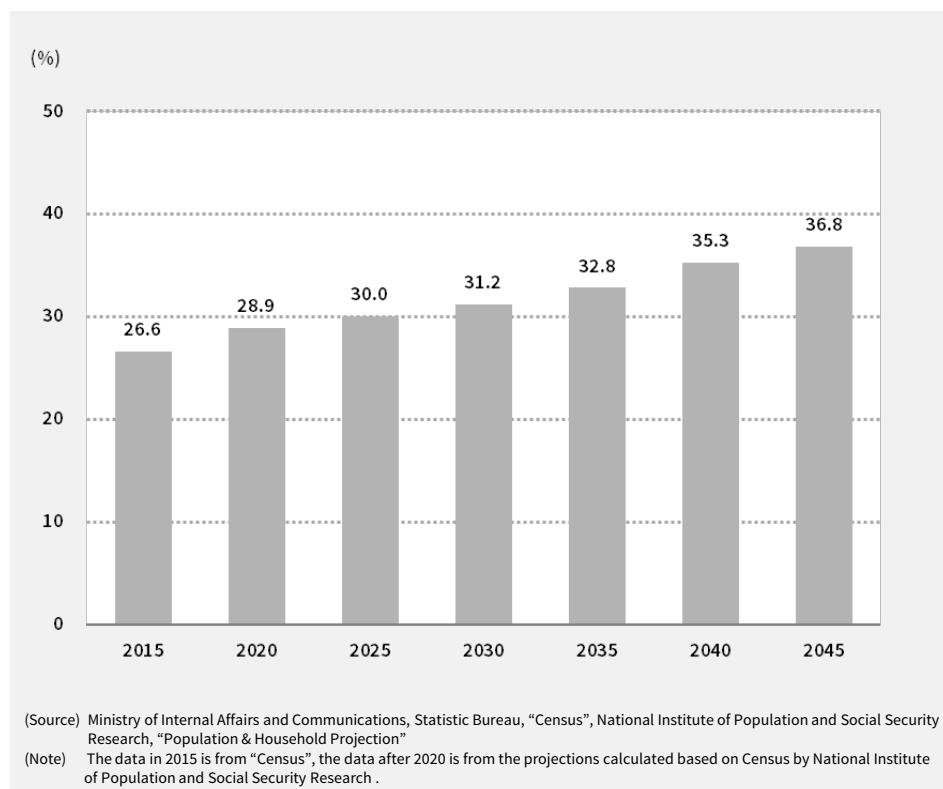
(Source) Ministry of Internal Affairs and Communications, Statistic Bureau, "Census", National Institute of Population and Social Security Research, "Population & Household Projection"

\* Main part of Osaka : Osaka City (Kita-ward, Chuo-ward, Fukushima-ward, Nishi-ward, Tennoji-ward, Naniwa-ward)

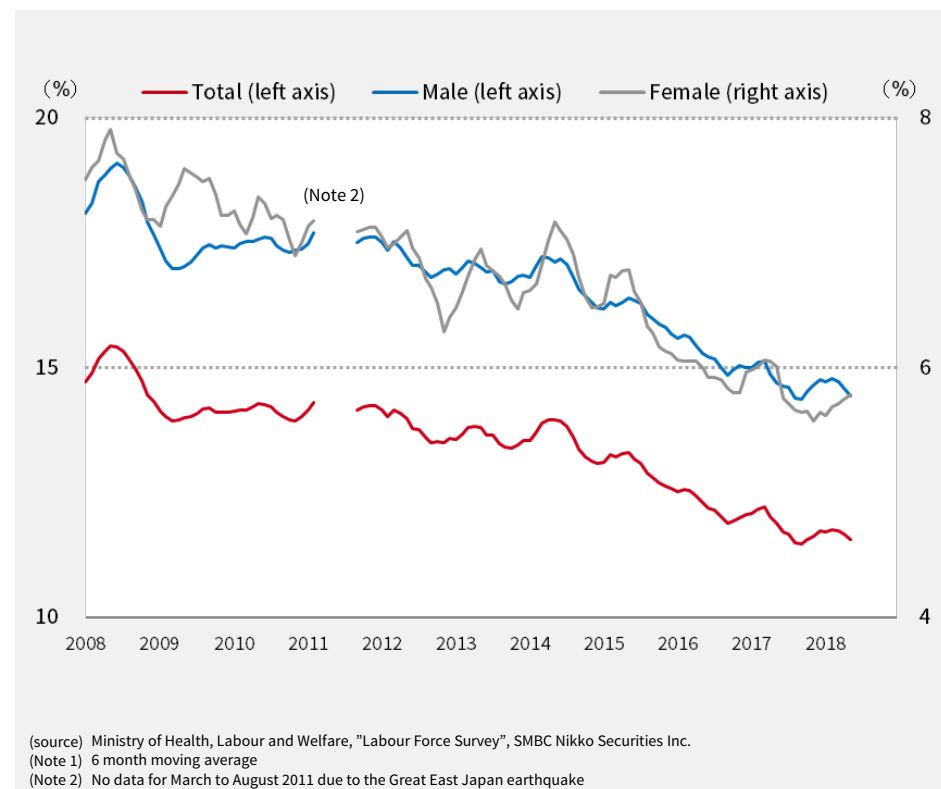
Top5 population of Nagoya City : Nagoya City (Chigusa-ward, Nakagwa-ward, Moriyama-ward, Midori-ward, and Meito-ward)

(Note) The data in 2015 is from "Census", the data after 2020 is from the projections calculated based on Census by National Institute of Population and Social Security Research.

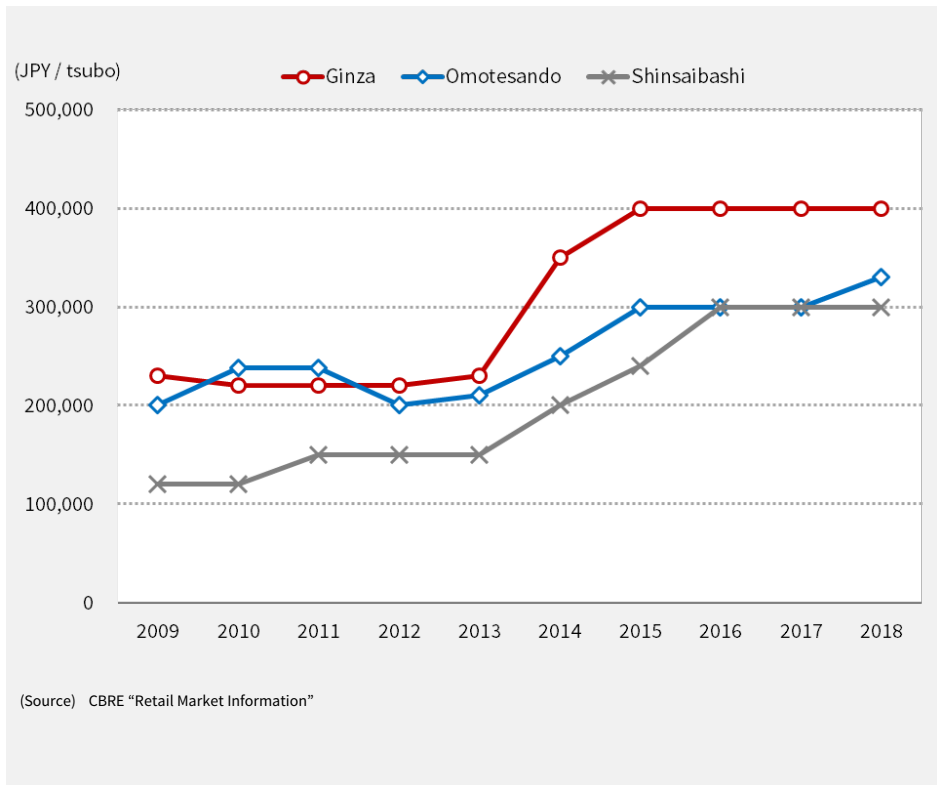
## Percentage flow of the population over 65 years old



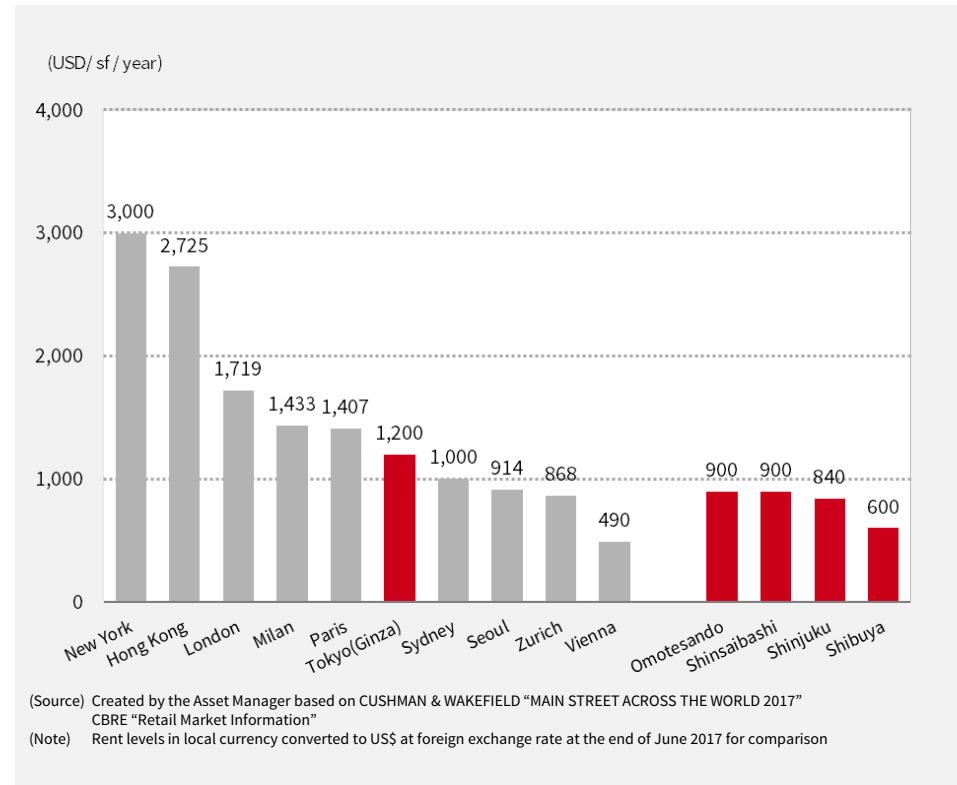
## Percentage of workers who work over 60 hours / week, out of workers who work 35 hours / week (Note 1)



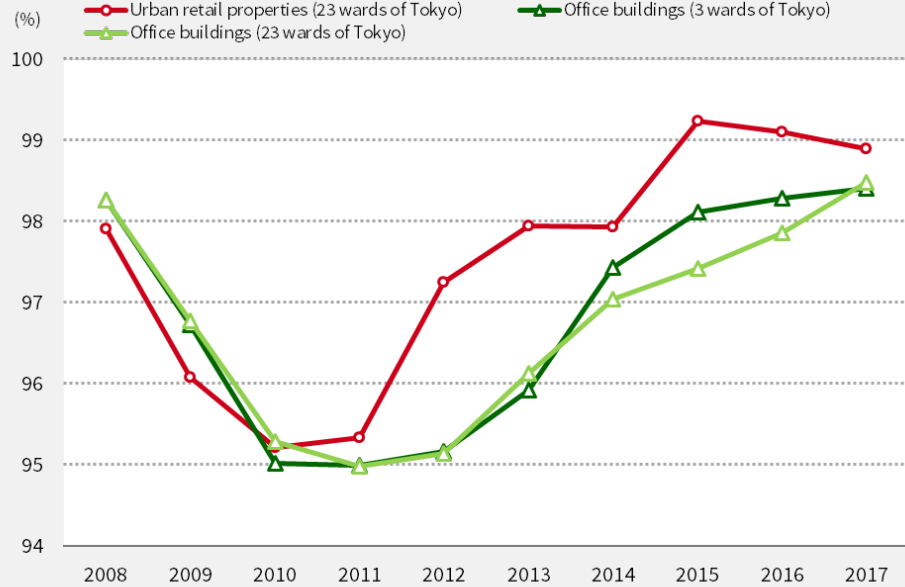
## Change in highest rents in major commercial districts



## Rent levels of retail properties in major cities worldwide



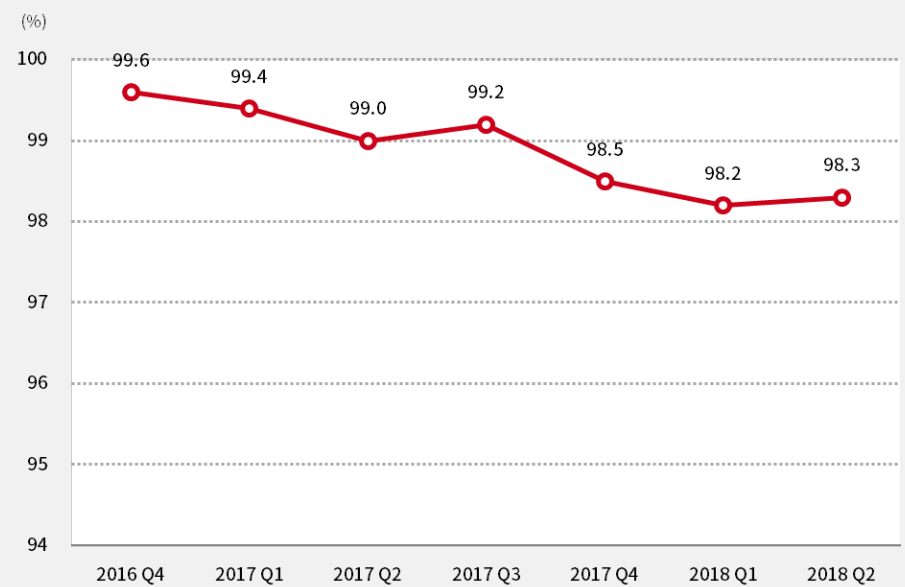
## Occupancy rate of urban retail properties



(Source) ARES Japan Property Index

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

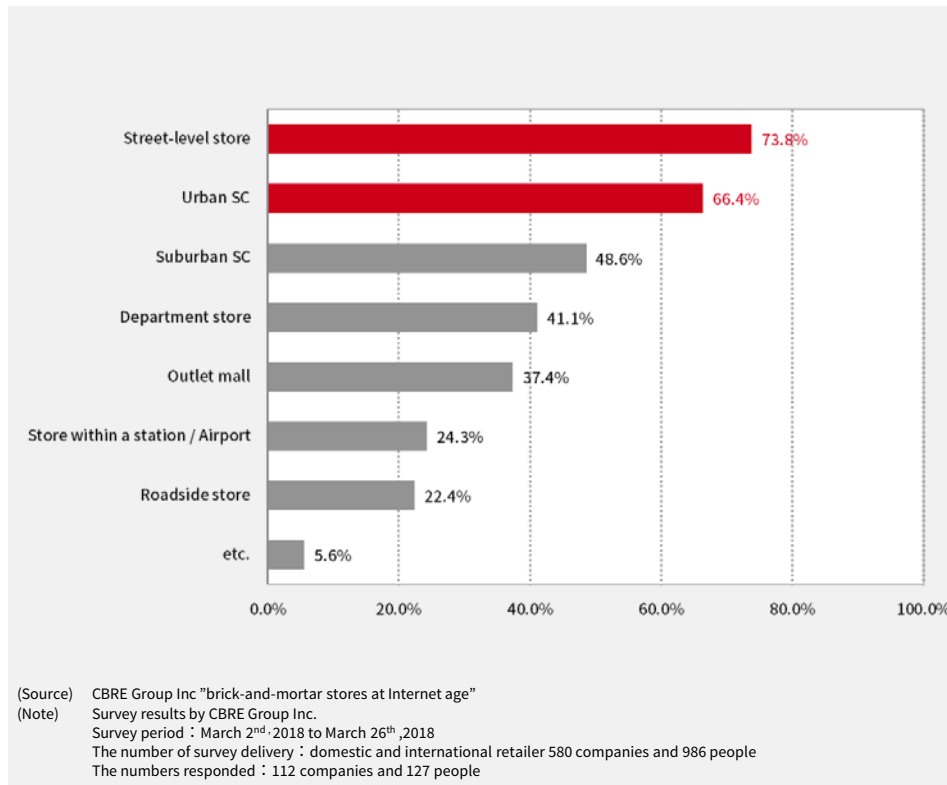
## Occupancy rate of urban retail properties located in Ginza



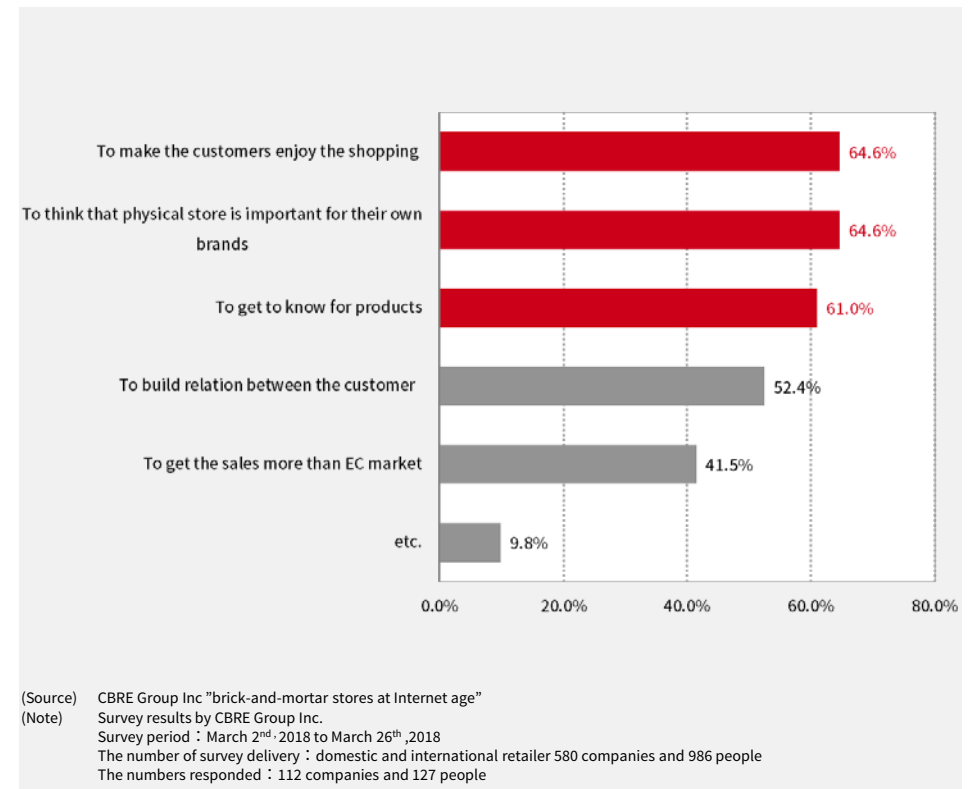
(Source) CBRE "Retail market review 2<sup>nd</sup> quarter 2018"



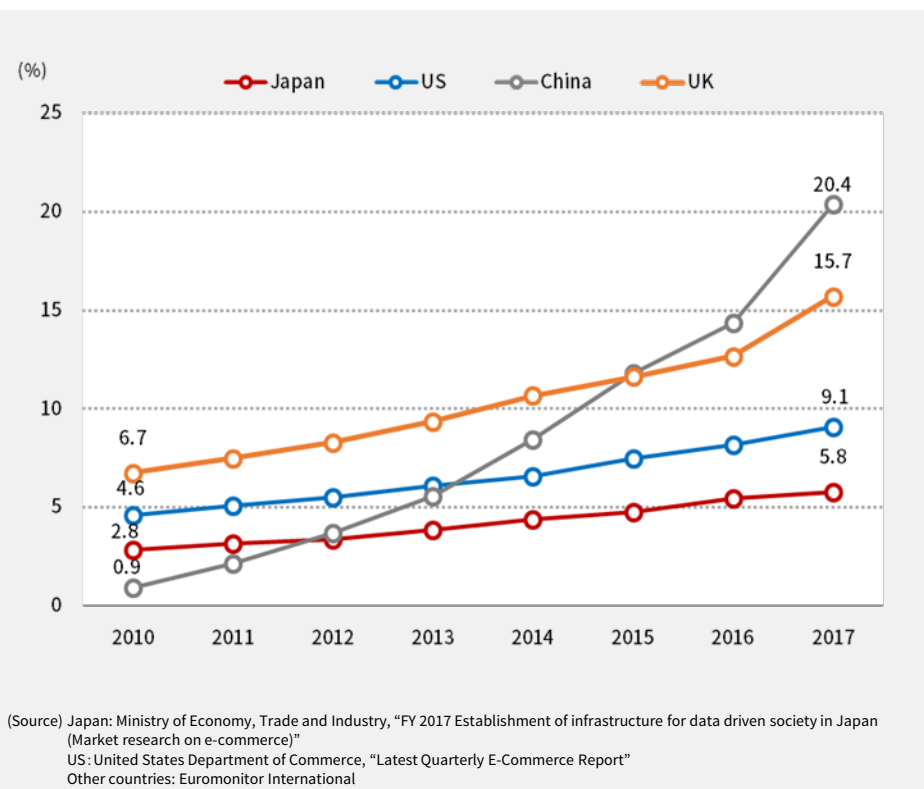
## Opening plan for brick-and-mortar stores



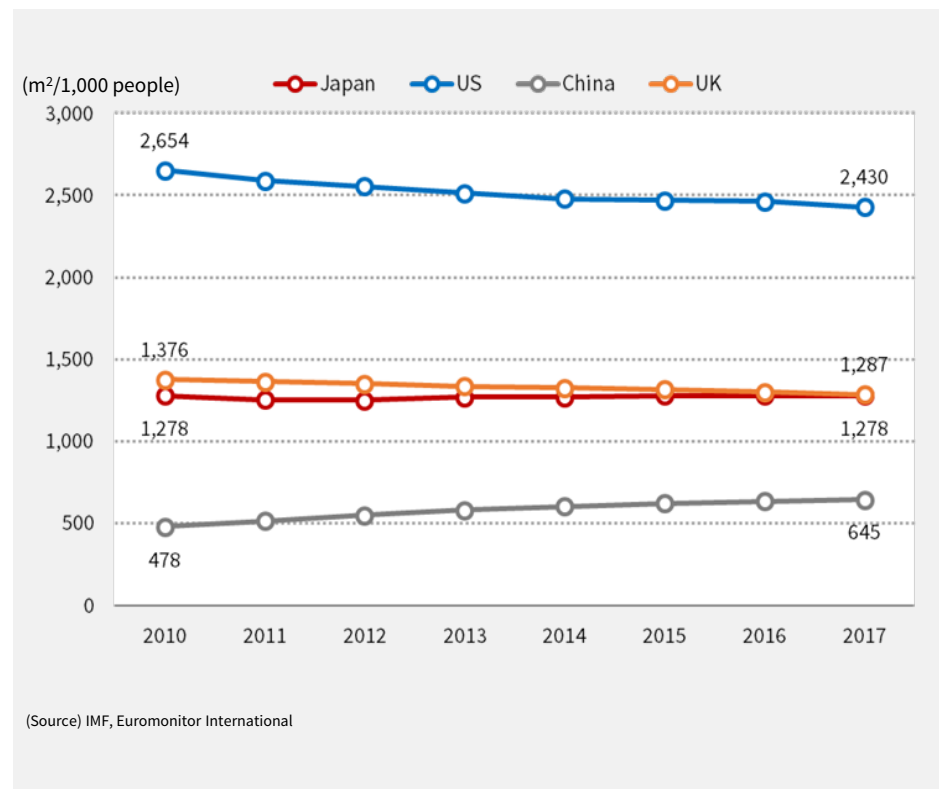
## Reasons to not reduce existing brick-and-mortar stores



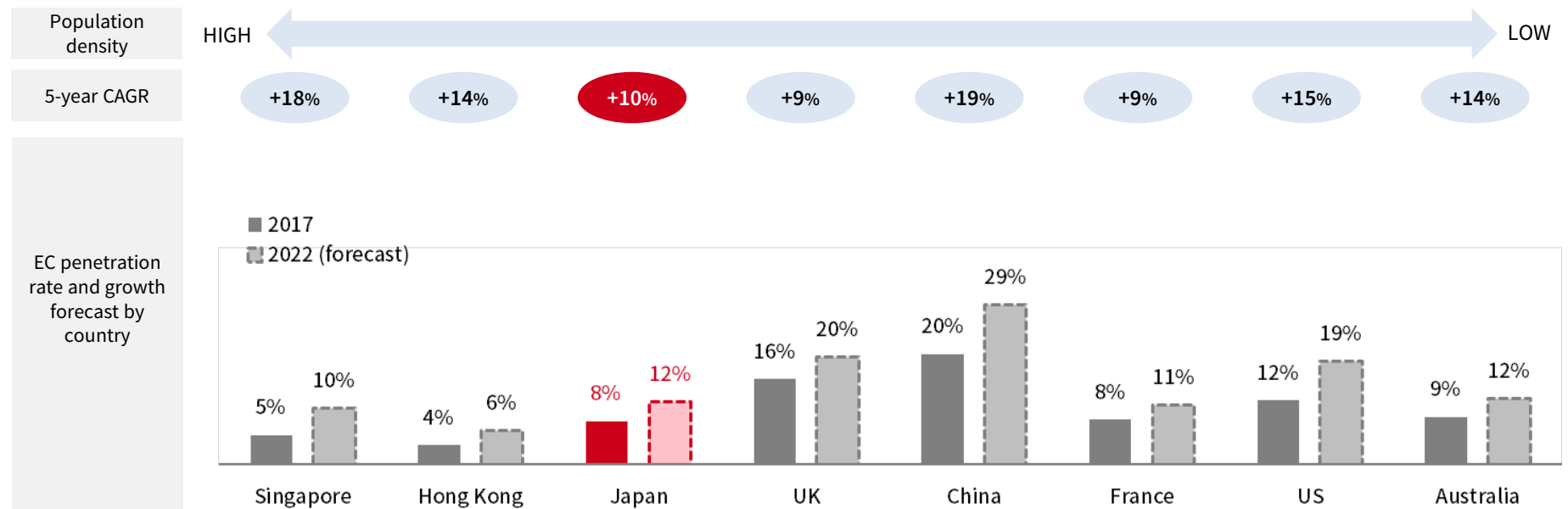
## EC penetration rate by country



## Retail Sales area per 1,000 people



## EC penetration rate and growth forecast by country



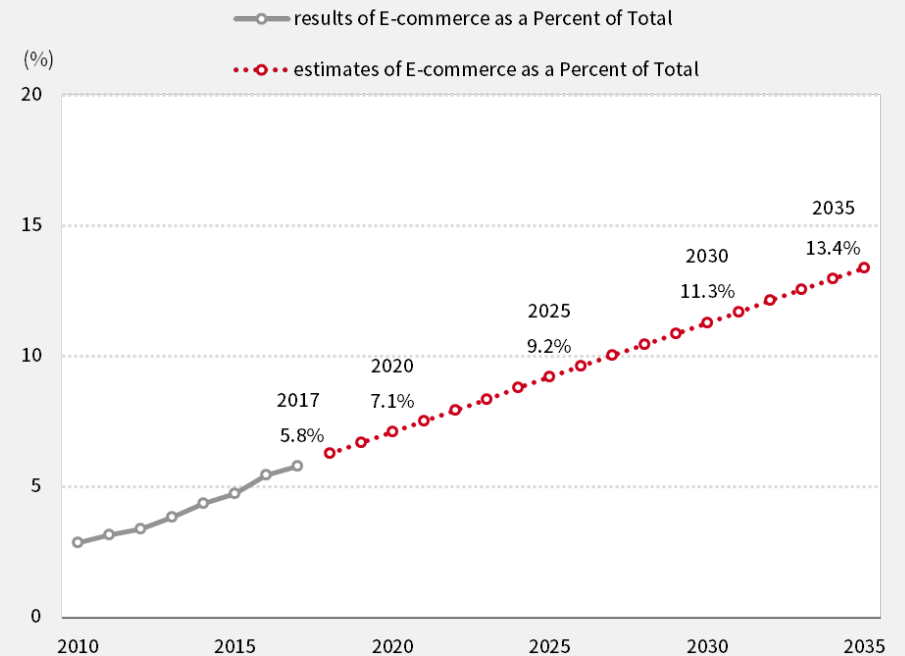
(Source) Euromonitor International

## B toC EC product sales market size and EC penetration rate in Japan

Category	EC Market Volume	EC penetration rate
Stationery	205 billion JPY	37.4%
Consumer Appliances, Audio Visual, PC, Peripherals, etc.	11,533 billion JPY	30.2%
Book, Movie, Music	1,114 billion JPY	26.4%
Apparel, Personal accessories, etc.	1,645 billion JPY	11.5%
Cosmetics, Drug	567 billion JPY	5.3%
Car, Motorcycle, Parts, etc.	219 billion JPY	3.0%
Food, beverage, Liquor	1,158 billion JPY	2.4%
Others	278 billion JPY	0.8%
Total	8,601 billion JPY	5.8%

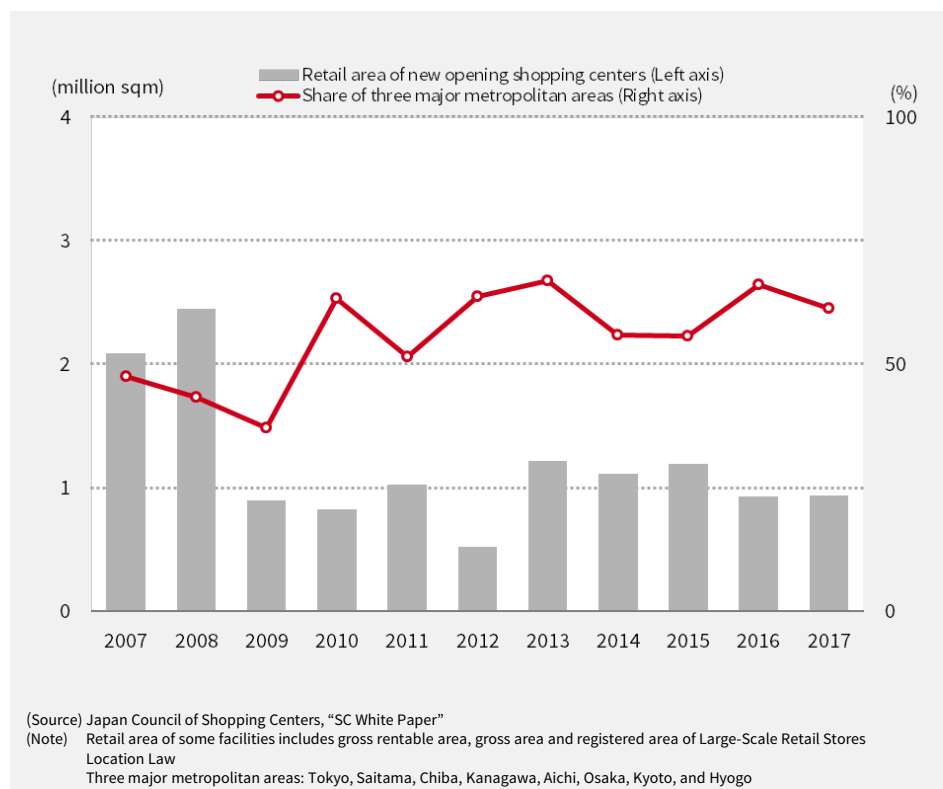
(Source) The Ministry of Economy, Trade and Industry, "FY 2017 Establishment of infrastructure for data driven society in Japan (Market research on e-commerce)"

## Forecast of EC penetration rate in Japan

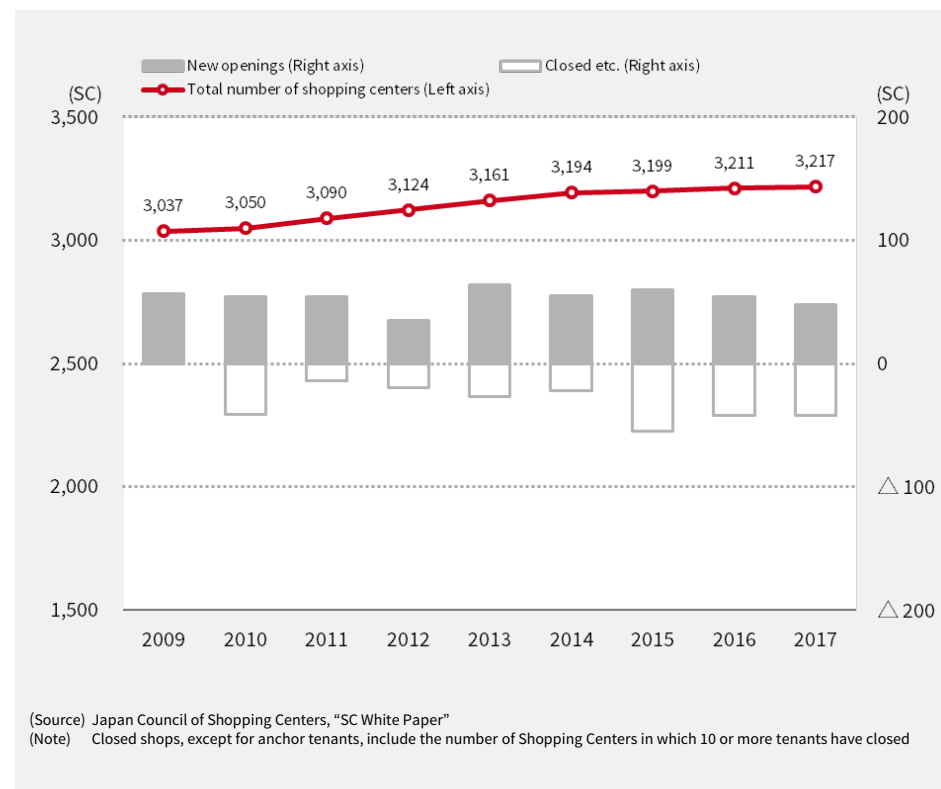


(Source) Actual figures until 2017 are figures in "FY2009 improvement of foundation in data-driven society in Japan (Market research on E-commerce)" announced by Ministry of Economy, Trade and Industry  
For estimate figures for 2020 to 2035 are figures from NLI Research Institute "Retail sales long-term outlook"

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

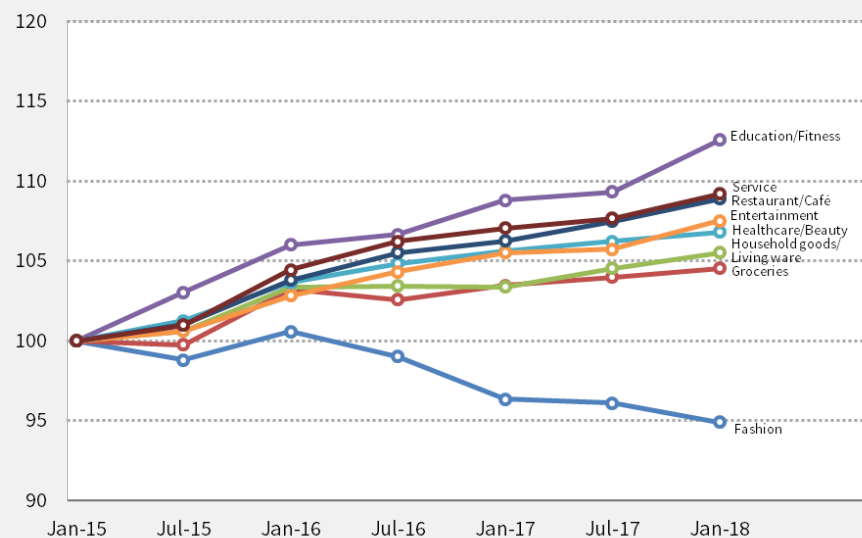


## Trend of the number of shopping centers



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

(Based on January, 2015=100)



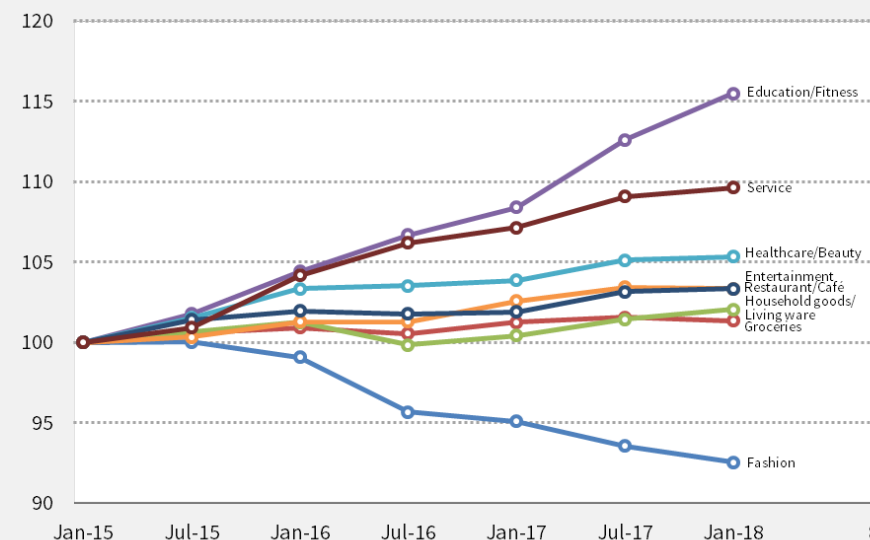
(Source) The Institute of SC trend

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

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

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

(Based on January, 2015=100)

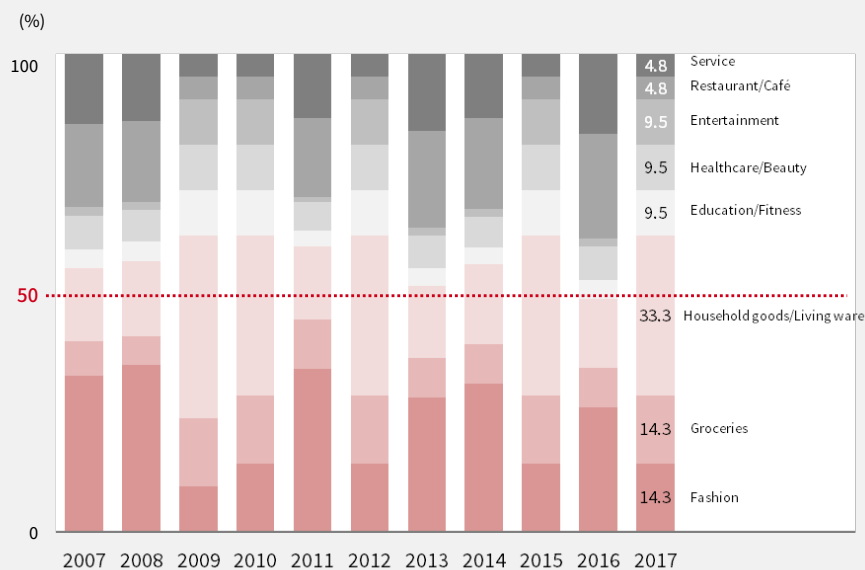


(Source) The Institute of SC trend

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

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

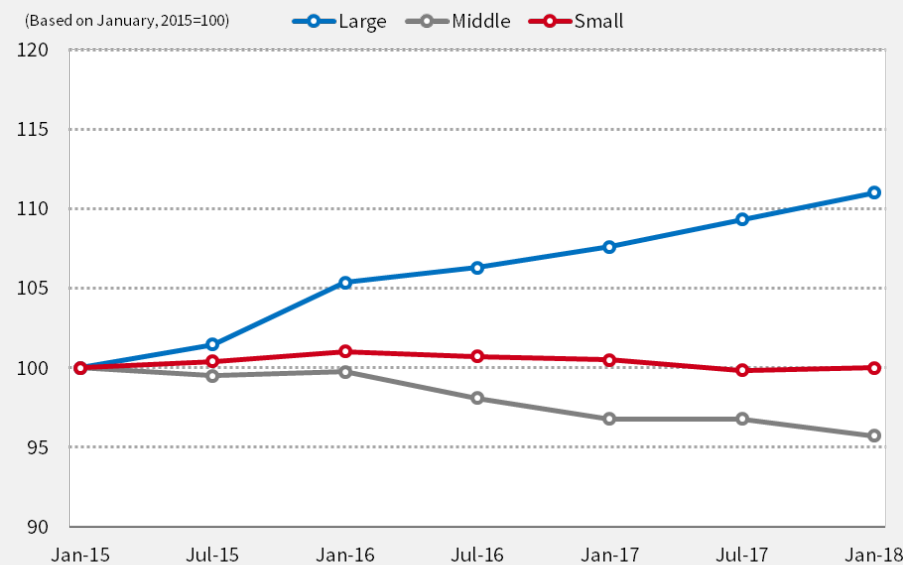
## Trend of proportion of tenant industries for new opening SC



(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

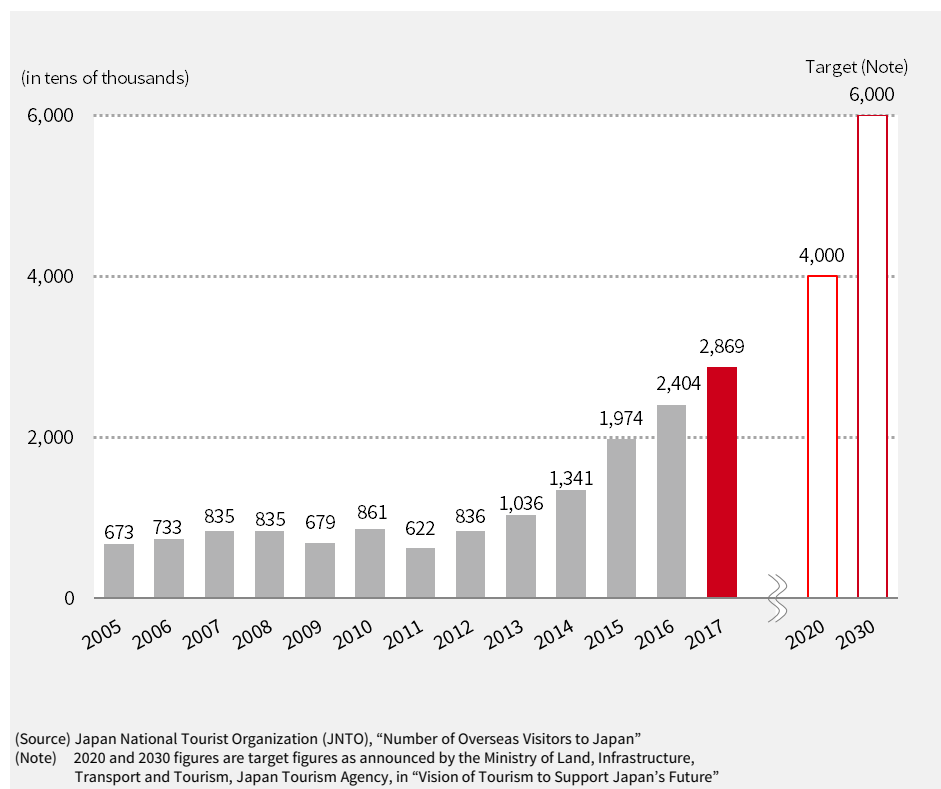
(Note) The number of tenants in January 2015 is indexed as 100

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

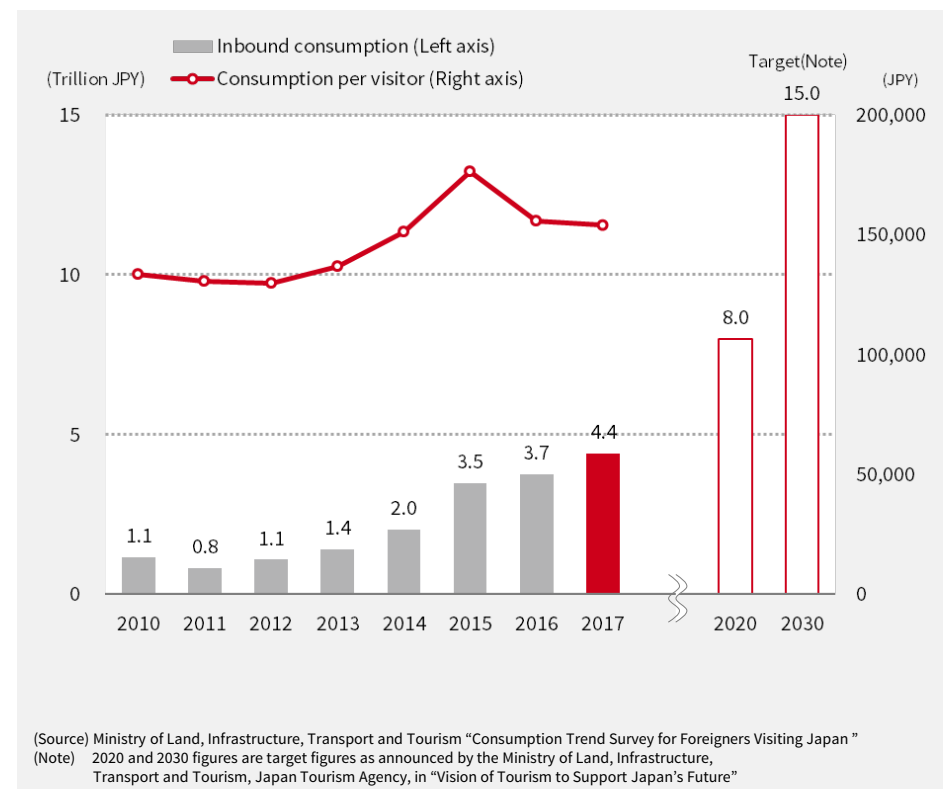
Middle: SC with more than 12,000 sqm and less than 30,000 sqm of total store area

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

## Trend of the number of inbound tourists in Japan

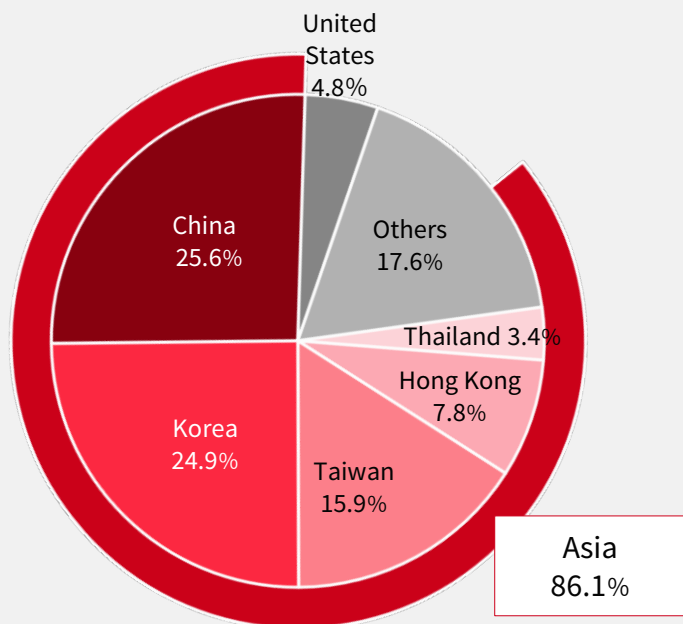


## Trend of inbound tourists' consumption



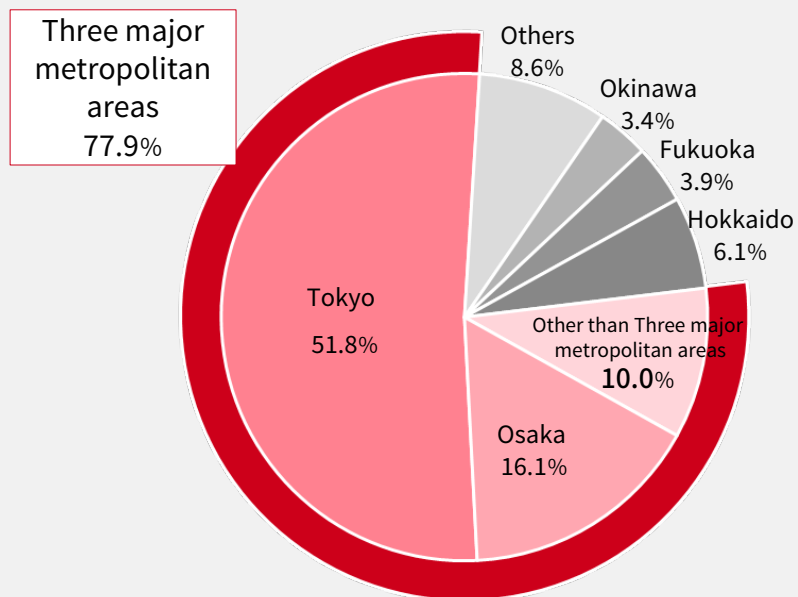


## Number of foreign visitors to Japan by country



(Source) Japan National Tourism Organization (JNTO) "Trends the number of tourism in Japan"

## Foreign visitors' consumption by prefecture



(Source) RESAS-Analysis system of local economy, VISA Worldwide Japan

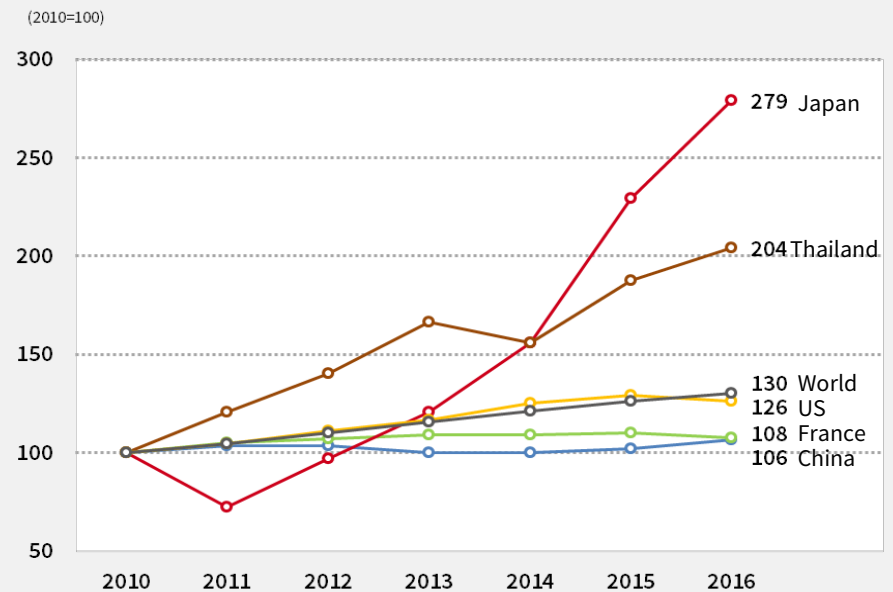
## Top 20 tourist countries

No	Country	Number of arrivals	No	Country	Number of arrivals
1	France	86.9 million	11	Austria	29.5 million
2	Spain	81.8 million	12	Japan	28.7 million
3	United States	75.9 million	13	Hong Kong	27.9 million
4	China	60.7 million	14	Greece	27.2 million
5	Italy	58.3 million	15	Malaysia	25.9 million
6	Mexico	39.3 million	16	Russia	24.4 million
7	United Kingdom	37.7 million	17	Canada	20.8 million
8	Turkey	37.6 million	18	Poland	18.4 million
9	Germany	37.5 million	19	Portugal	18.2 million
10	Thailand	35.4 million	20	Netherlands	17.9 million

(Source) Japan National Tourism Organization (JNTO), "Comparison of Inbound Tourism by Country/Area"

(Note) Figures as of 2017. However, US and Portugal is as of 2016 since figures for 2017 is not disclosed

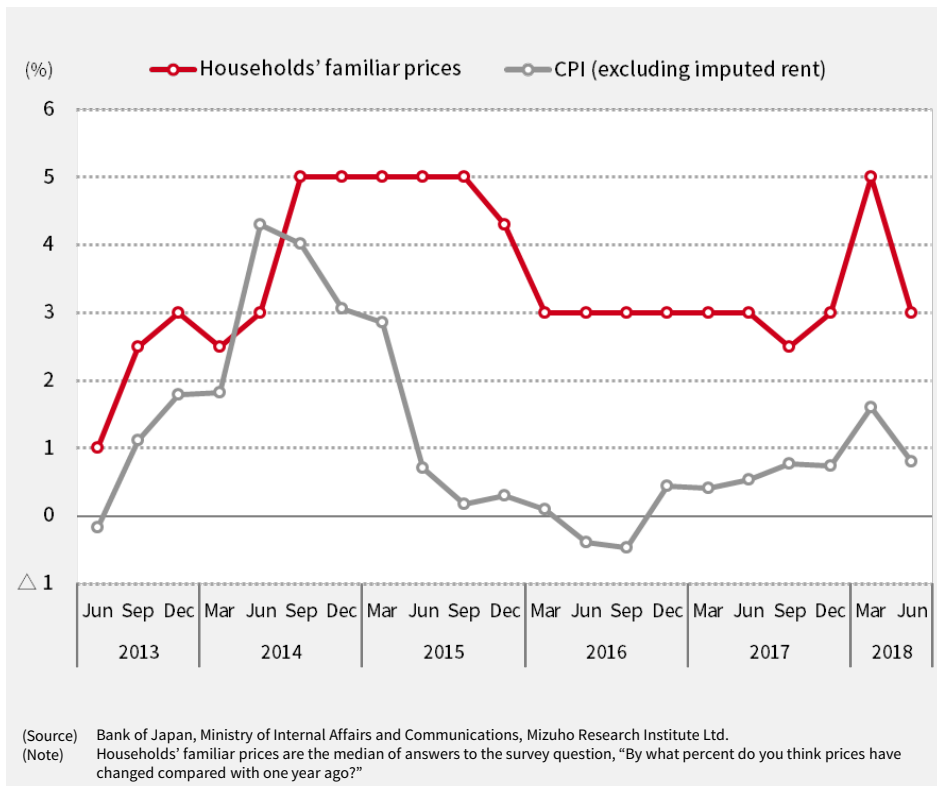
## Trends of the number of inbound tourists in the world



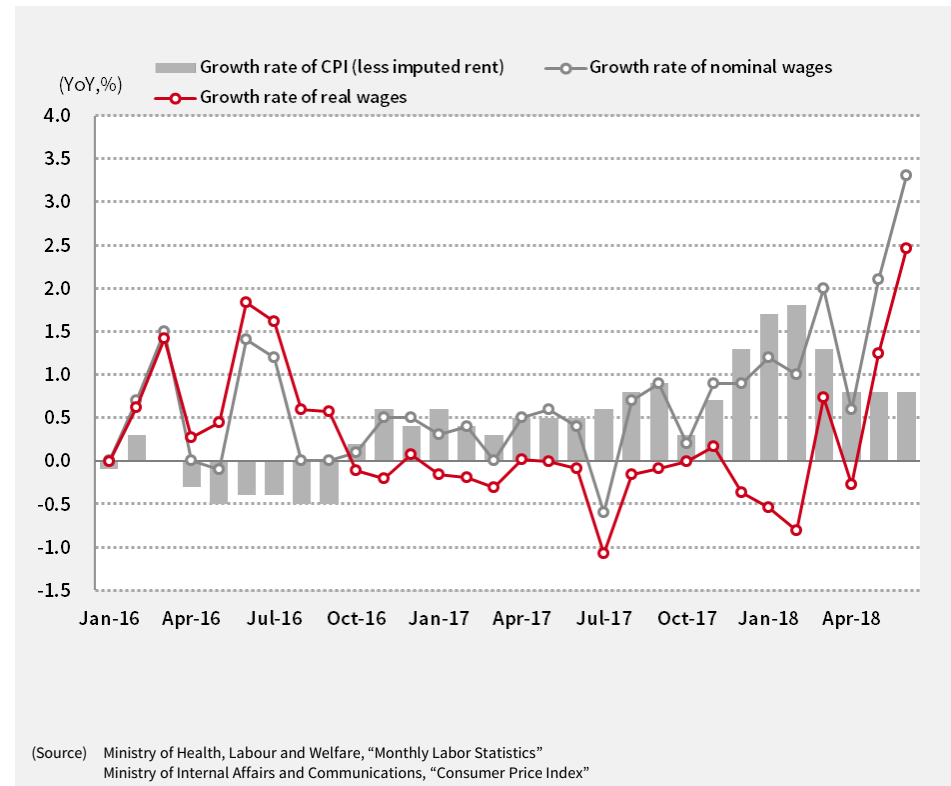
(Source) The World Bank

(Note) The number of tourist arrivals in 2010 is indexed as 100

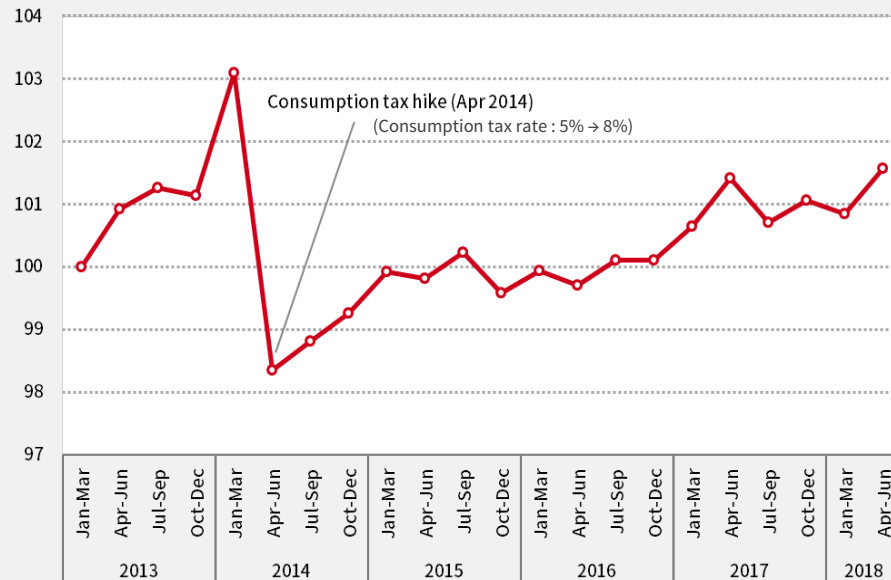
## Trend of CPI and familiar prices



## Trend of CPI and wages (nominal/real)

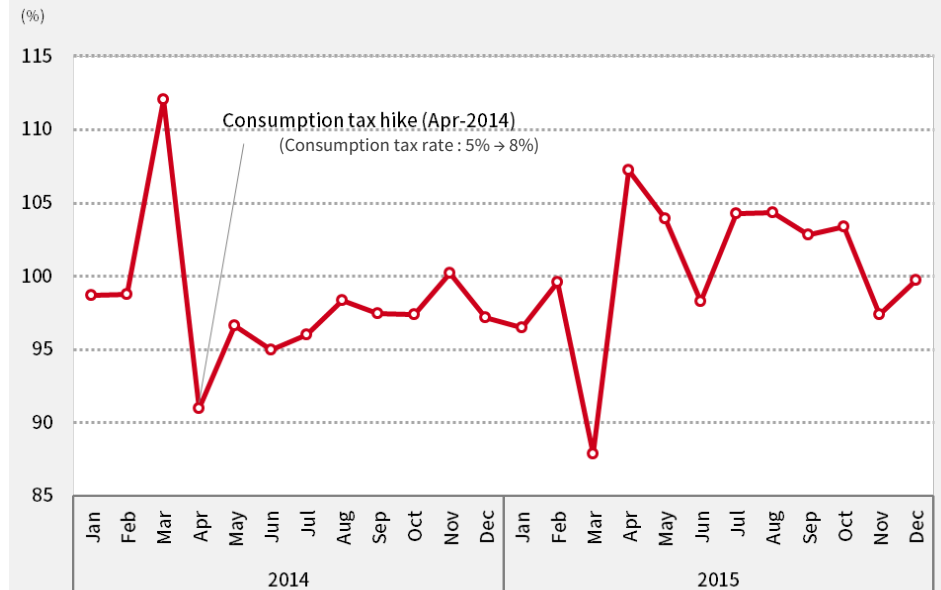


## Transitions of consumer spending



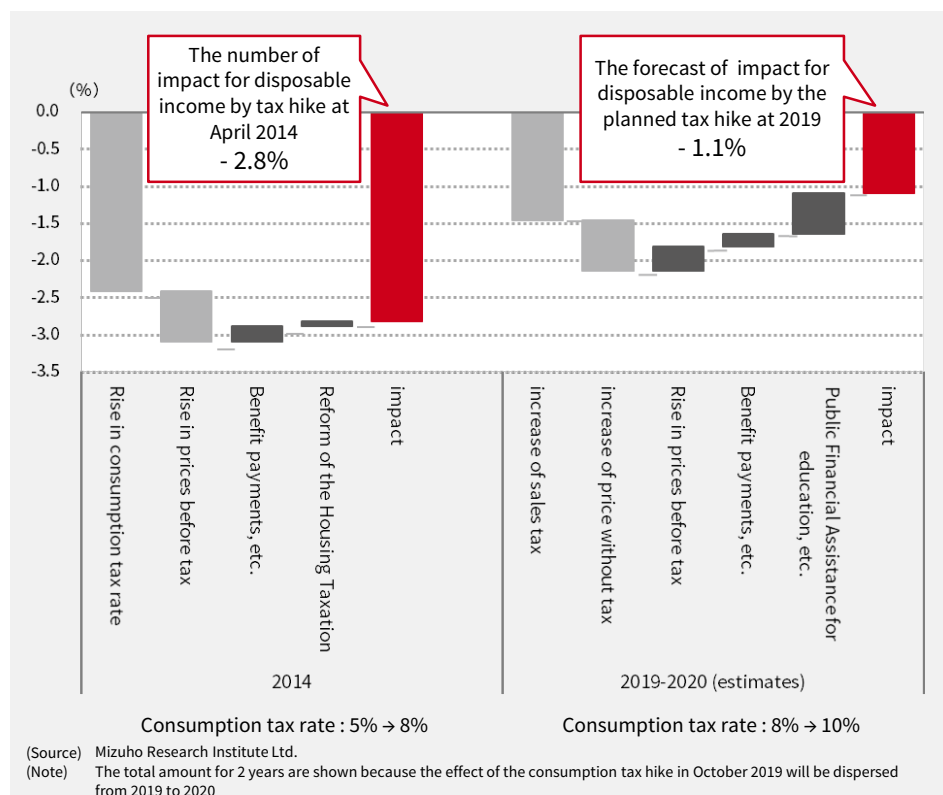
(Source) Mizuho Research Institute Ltd.

## Trend of YoY sales volume of JRF portfolio before/after consumption tax hike (Apr.2014)



(Note) Figures are based on the aggregated available sales data among JRF's holding properties, collected by Asset Management company's hearing base (excluding consumption tax)

## Impact on disposable income after consumption tax hike



## Income support after consumption tax hike year 2019

Timing of tax hike	Income support	Scale
Consumption tax hike in 2014	Benefit payments, etc.	0.6 trillion JPY
	Housing loan tax cut	0.2 trillion JPY
	Total	0.8 trillion JPY
Consumption tax hike in 2019 (estimates)	Reduced tax rate	1.0 trillion JPY
	Support benefits	0.5 trillion JPY
	Free charge for childhood and high school education Childcare support improvement of labor conditions for Nursery Teacher and Care Worker	1.7 trillion JPY
	Total	3.2 trillion JPY

(Source) Mizuho Research Institute Ltd.





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.
- This material is prepared based on Japanese accounting principles unless otherwise noted.
- This material is to be used for analyzing the market environment related to commercial facilities, and is not prepared for the purpose of soliciting the acquisition of JRF's investment securities or the signing of financial instruments contracts. When investing, we ask investors to invest on their own responsibility and their own judgment.
- 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.

**Asset Management Company : Mitsubishi Corp.- UBS Realty Inc.**

(Financial Instruments Dealer Director of Kanto Financial Bureau (Financial Instruments Dealer) Number 403, Member of The Investment Trusts Association, Japan)