

Think bold today for a brighter tomorrow.



RETAIL PROPERTIES MARKET DATA

February 2019(34th) Period Results – Supplementary material

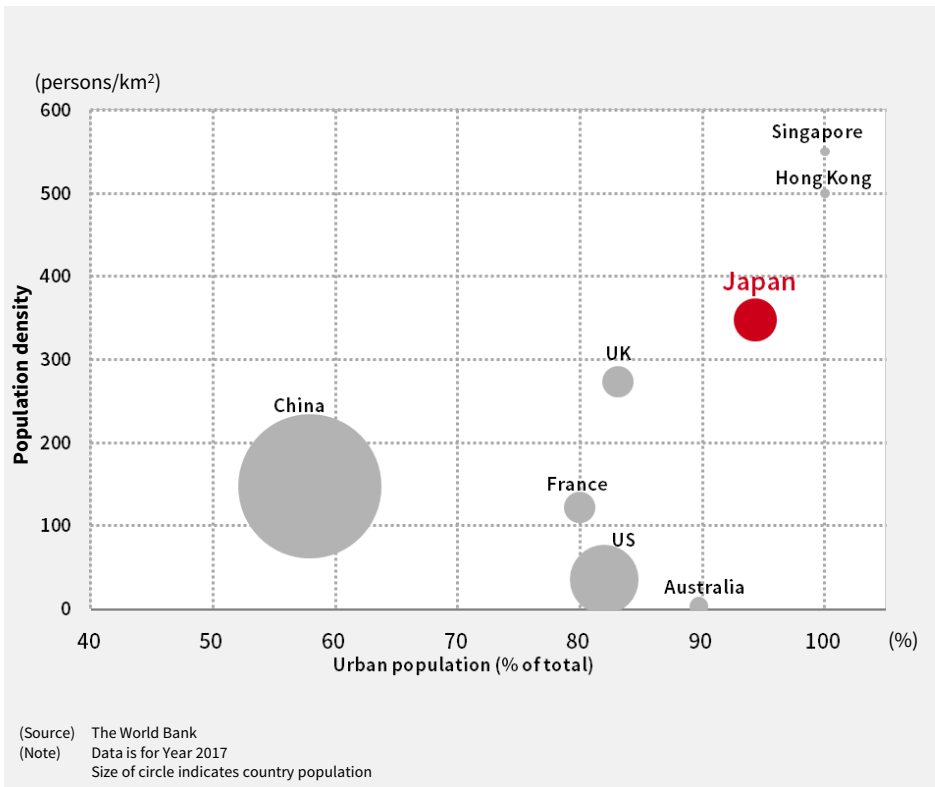
34th period: September 1, 2018 ~ February 28, 2019

Japan Retail Fund Investment Corporation

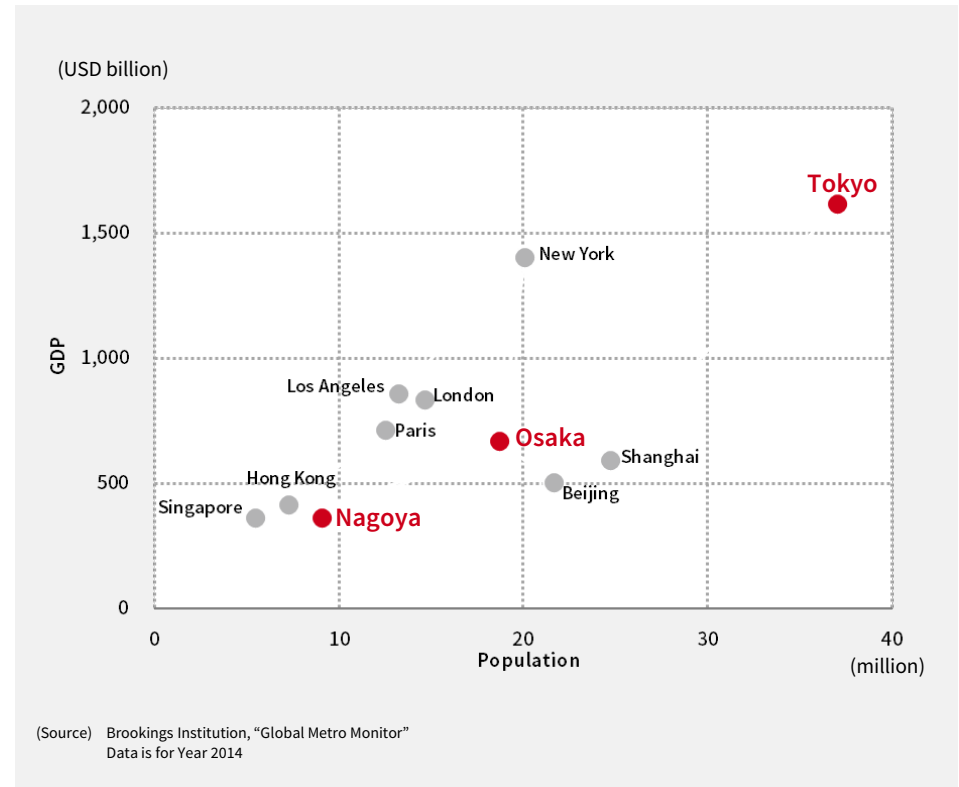
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Comparison of population density and urban population



Comparison of GDP and population in major metropolitan areas



Key differences between Japan and the US



Japan

378 thousand km²

126.33 million

approx. **334**/km²

Concentrated in urban areas

(Population of urban area: **94%**)(Note)

106%

(approx. 50% for urban area)



Mainly by **train**

US



9,628 thousand km²

328.53 million

(approx. **2.6** times as Japan)

approx. **34**/km²

Relatively diversified

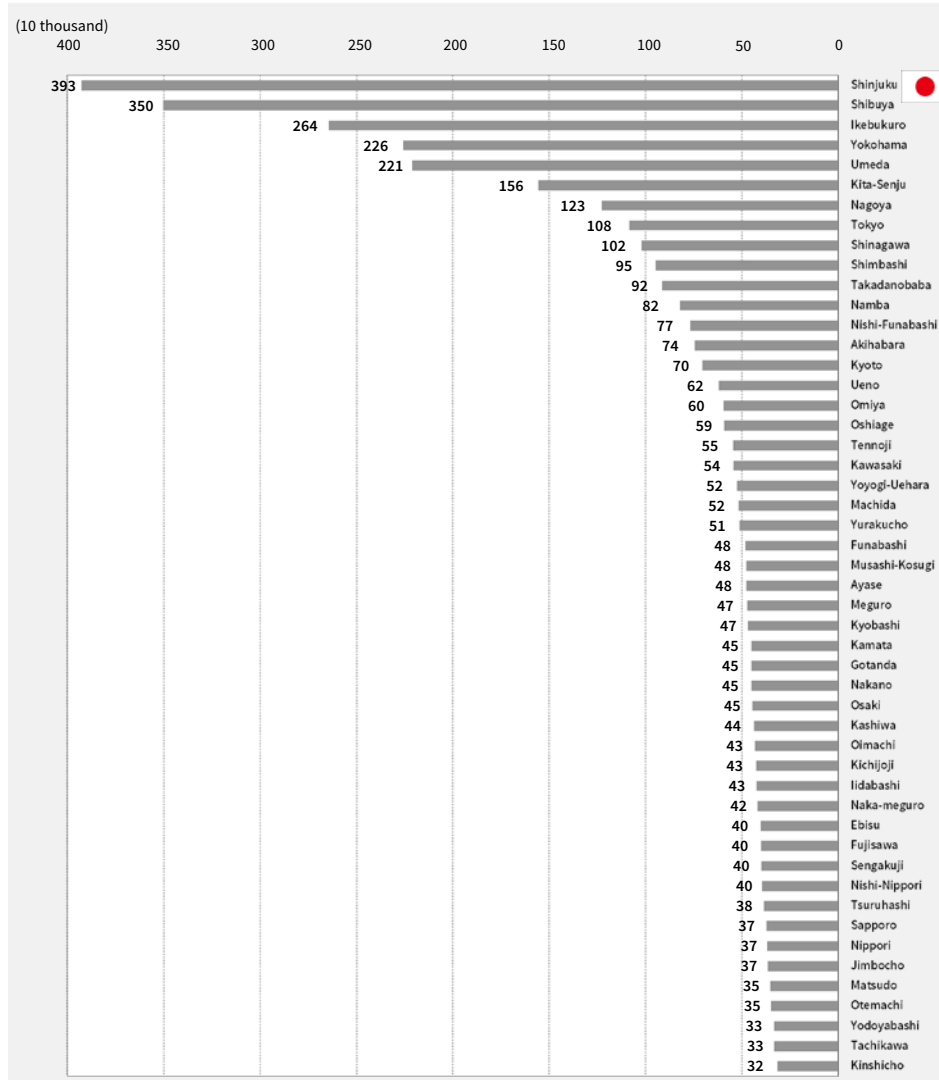
(Population of urban area: **82%**)

91%

Mainly by **car**



TOP50 in Japan ranking of passenger volume in train stations

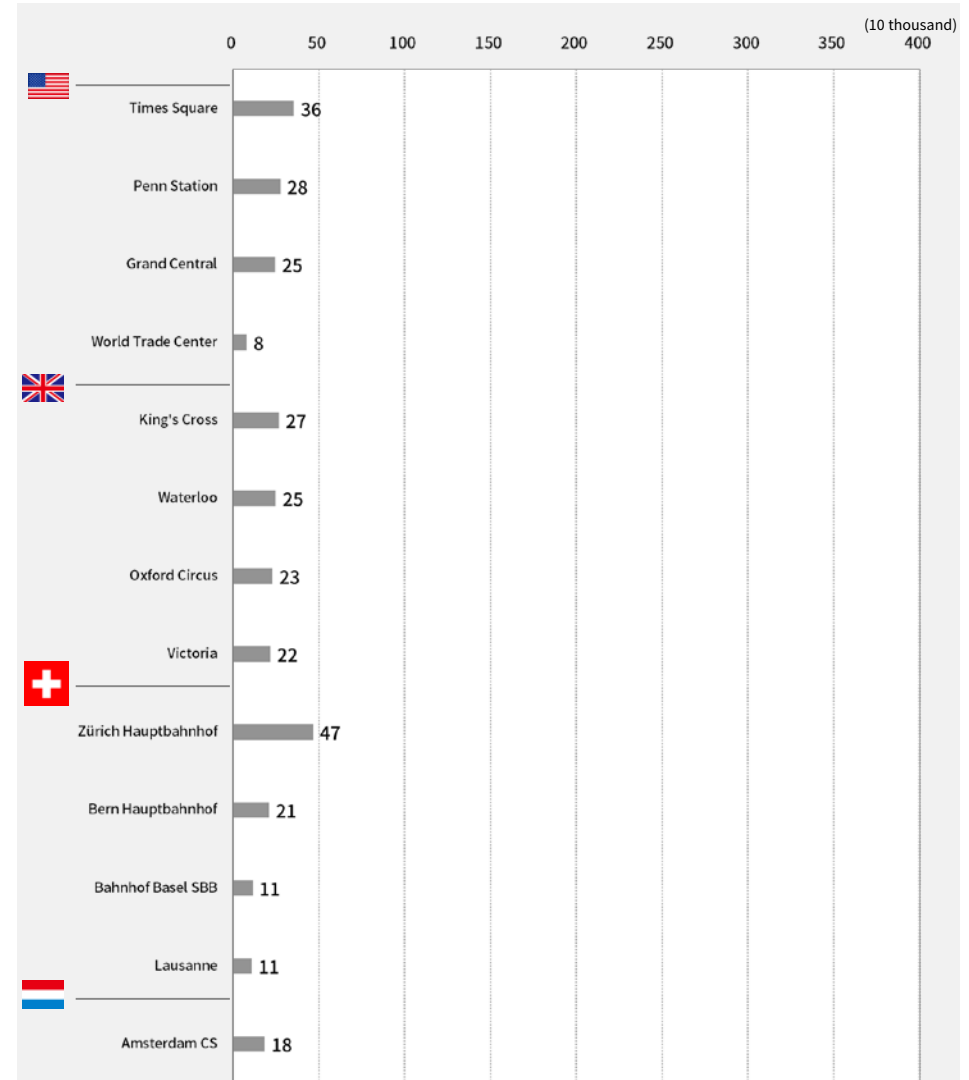


(Source) Based on disclosure documents of each train company

(Note) Data is for year 2016

* Graphs on this page are created by the Asset Management Company based on each source

Passenger volume for major stations at a global



Comparison of commercial environment in Japan and the US



Japan

\$1.02 trillion

Total retail sales/Year
(Excluding Motor vehicle & Fuel stores)

approx. **3,200**

of shopping centers

12 sq. ft.

Retail SF per capita

\$8,078

Retail sales
per capita/Year

Urban areas

More retail sales in

US



\$4.29 trillion
(approx. **4.2** times as Japan)

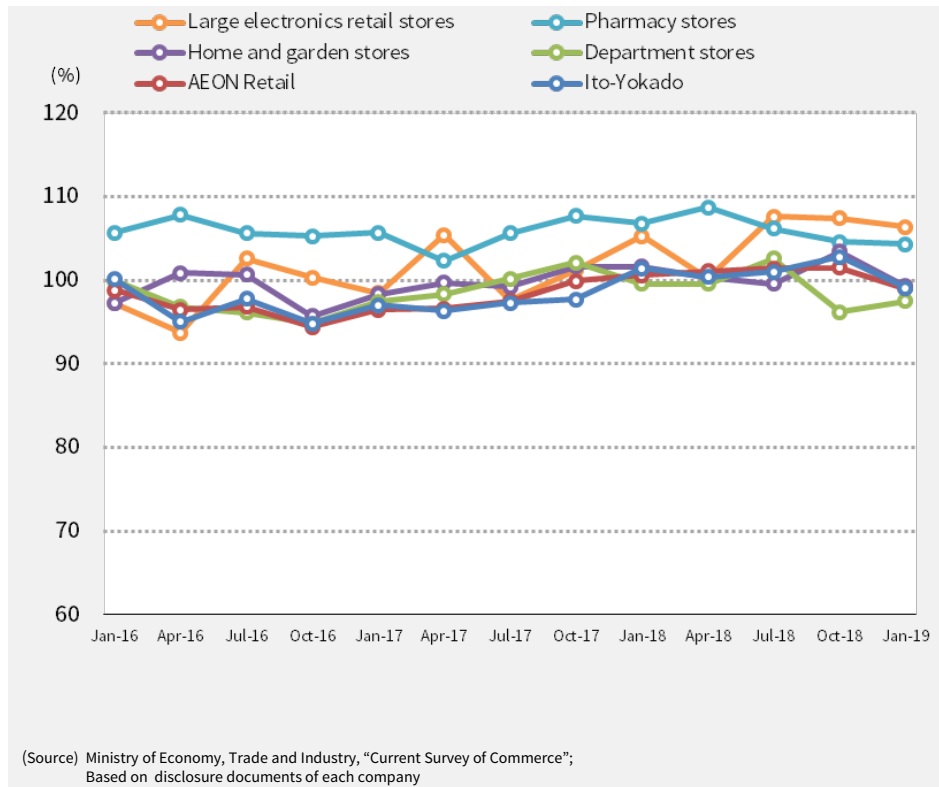
approx. **47,000**
(approx. **15** times as Japan)

21 sq. ft.
(approx. **1.8** times as Japan)

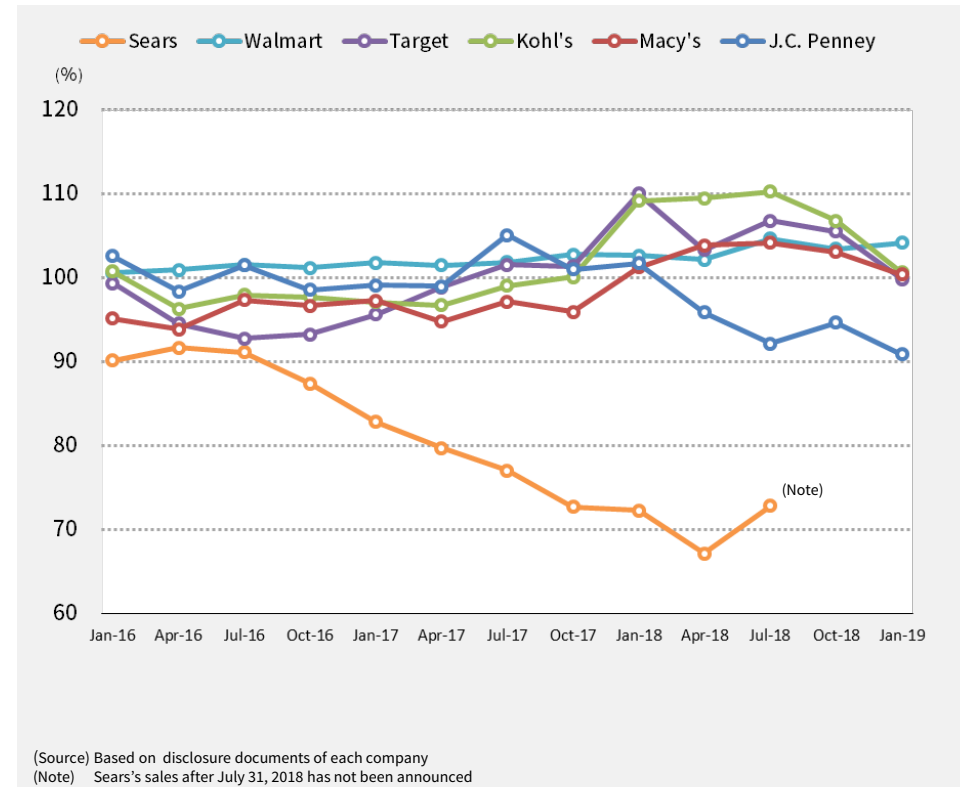
\$13,071
(approx. **1.6** times as Japan)

Suburban areas

YoY change in monthly retail sales by major facility types in Japan (Jan. 2016 – Jan. 2019)



YoY change in quarterly sales by major US retailers (Jan. 2016 – Jan. 2019)



Size of retail market in Japan

Urban Retail Properties Market Potentials

Annual sales of goods
145 trillion JPY

Shopping Centers
32.6 trillion JPY

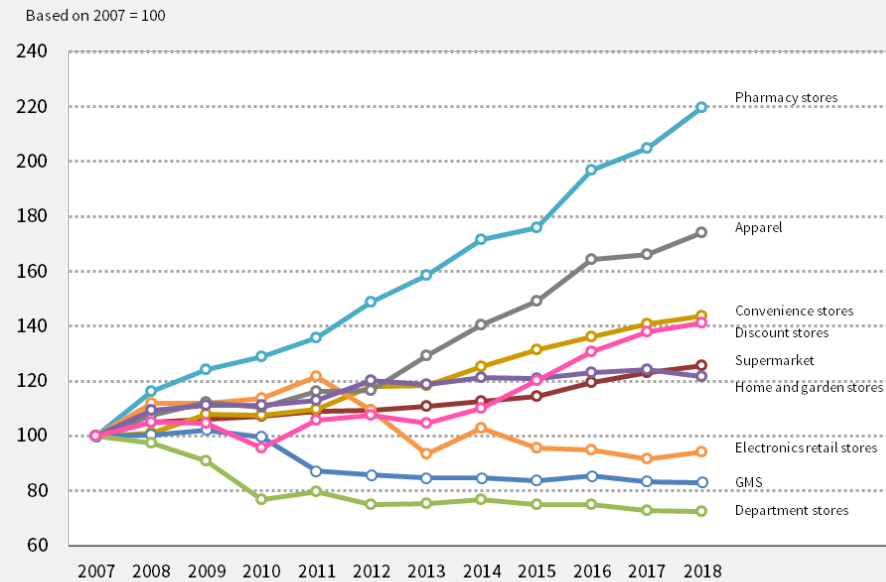
GMS
5.6 trillion JPY

Department Stores
6.4 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); Ministry of Economy, Trade and Industry, "2016 Economic Census for Business Activity"

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

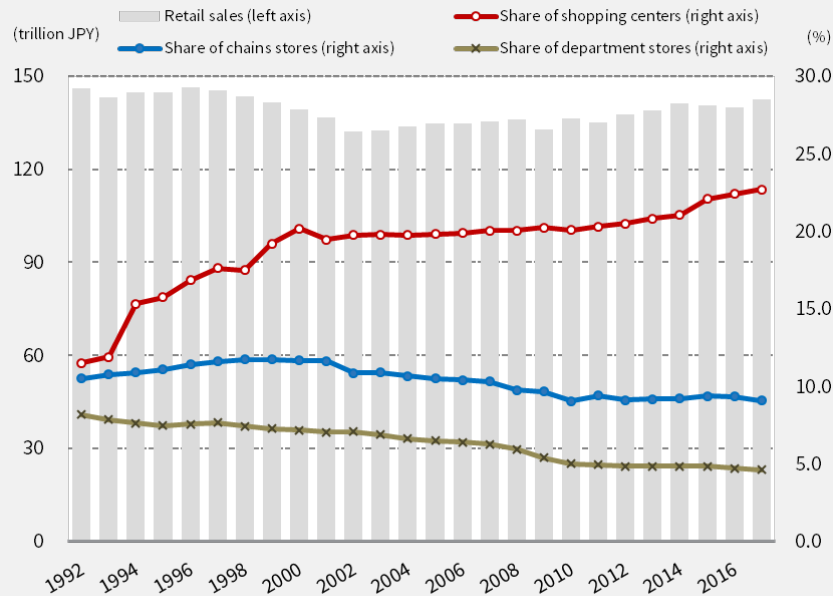
Sales growth rate of retail industry in Japan

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	3.4%	7-Eleven, FamilyMart, LAWSON
Discount stores	3.2%	Don Quijote-HD, Trial Company, DIREX
Home and garden stores	1.8%	DCMHD(consolidated), Cainz, KOMERI
Supermarket	2.1%	U.S.M.H. (consolidated), LIFE CORPORATION, ARCS (consolidated)
Electronics retail stores	-0.5%	Yamada Denki, EDION (consolidated), Yodobashi Camera
GMS	-1.7%	AEON Retail, Ito-Yokado, UNY
Department stores	-2.9%	Takashimaya, Sogo & Seibu, Isetan Mitsukoshi

(Source) DIAMOND Chain Store, Chain Store Age

(Note) CAGR is the average from 2007 to 2018

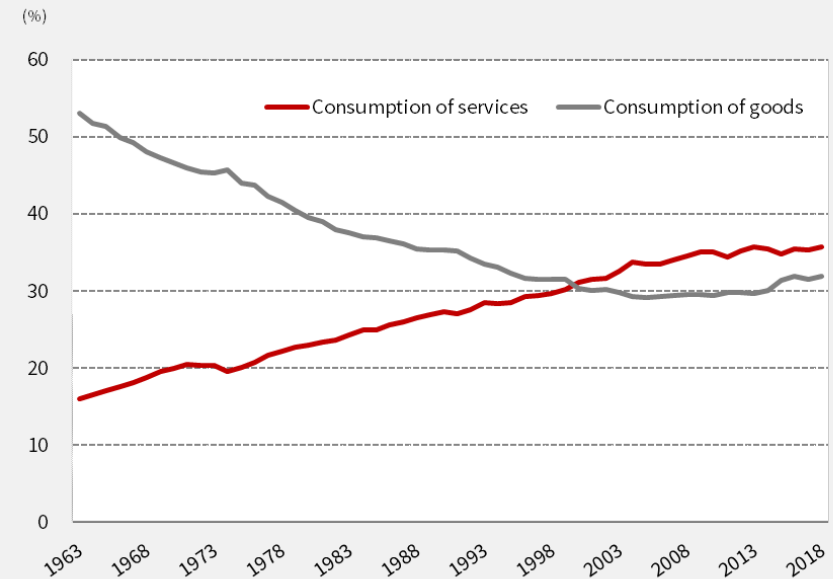
Total retail market sales and trend of SC, chain stores, department store share



(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

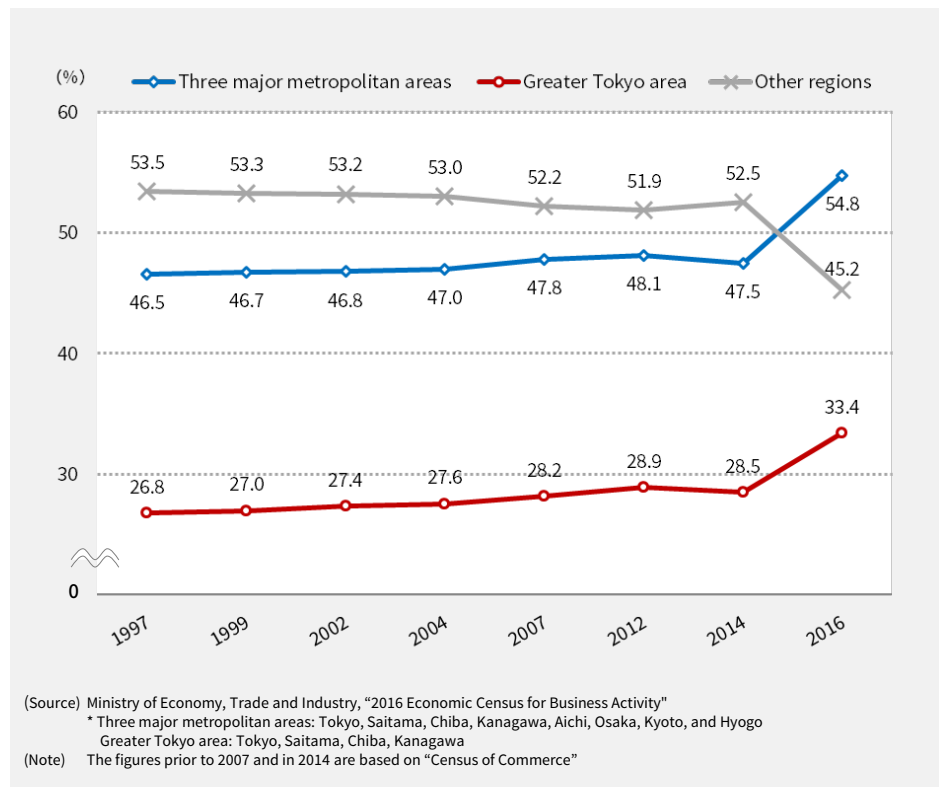


(Source) The Ministry of Internal Affairs and Communications, Statistic Bureau, "Family Income and Expenditure Survey (Household Income and Expenses)"

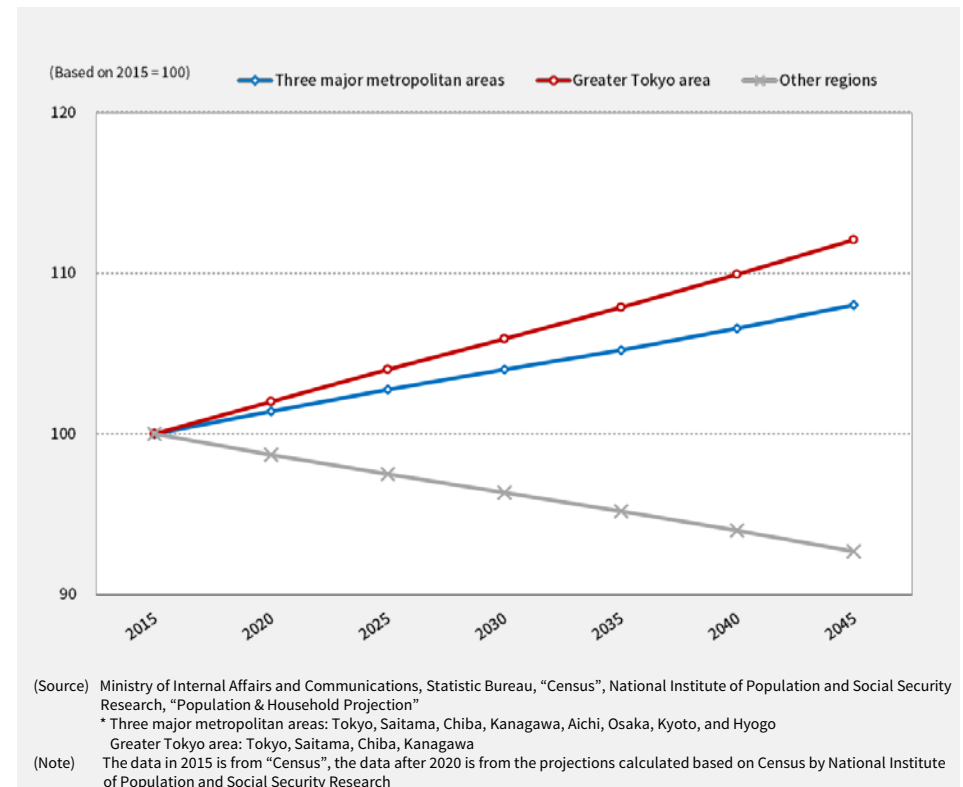
(Note) Survey of workers' households having two or more persons (Due to change in calculation method, farming, forestry and fishery households are excluded until 1999 but included from 2000)

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

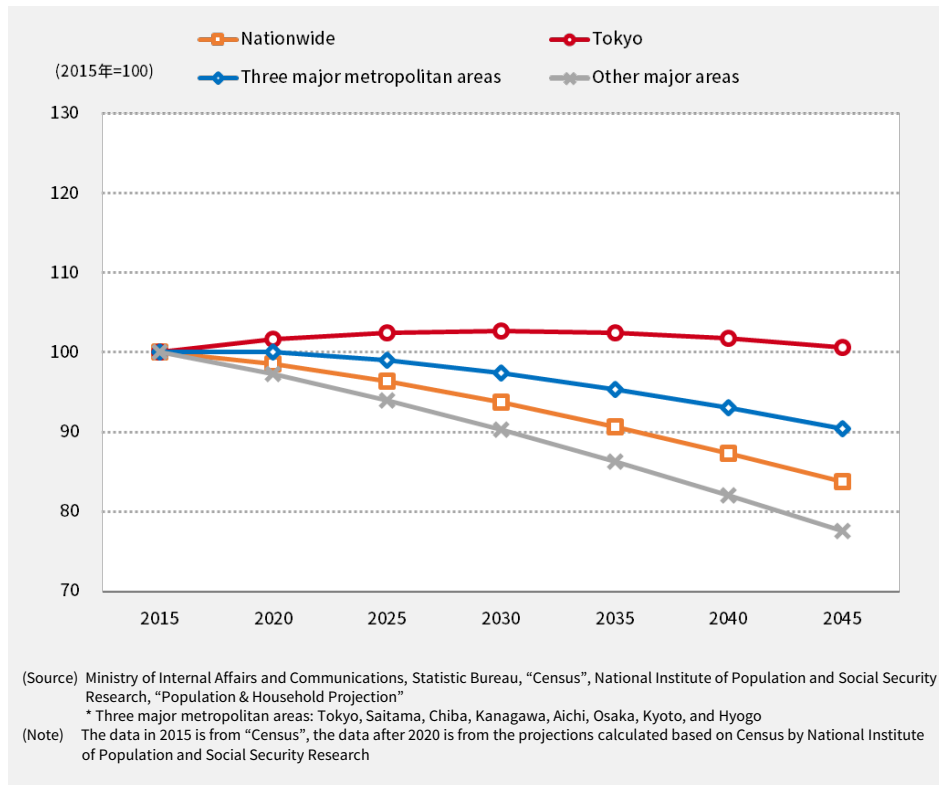
Percentage of total annual retail sales in Japan by each region



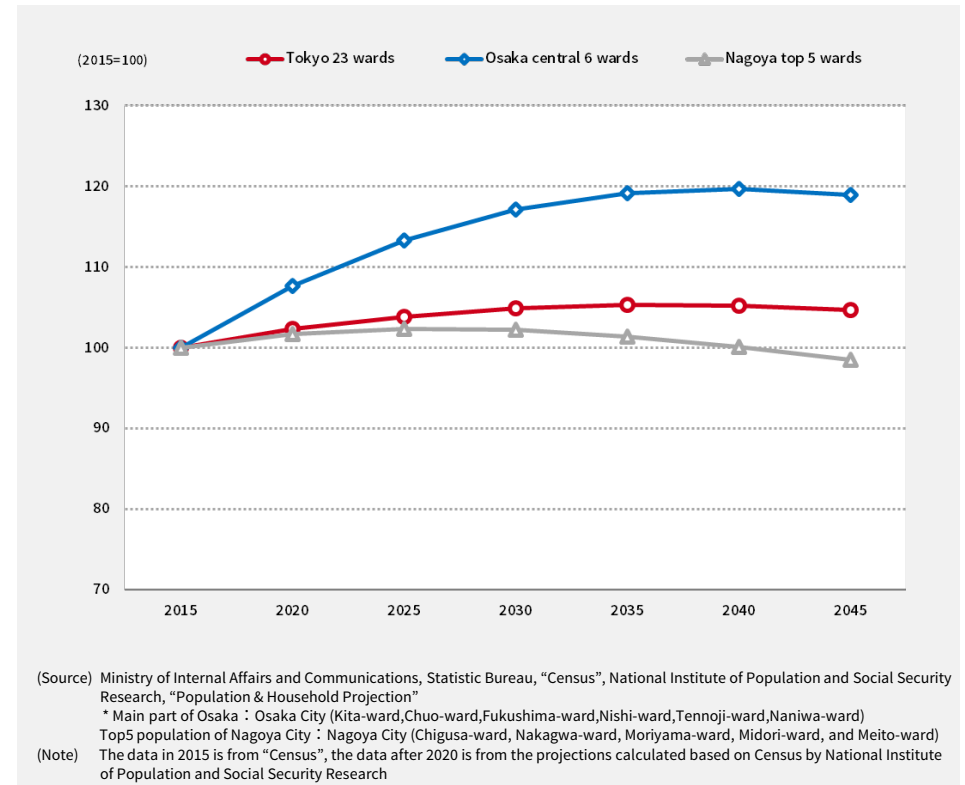
Forecast population composition ratio of the three major metropolitan areas and the Greater Tokyo area to the total population



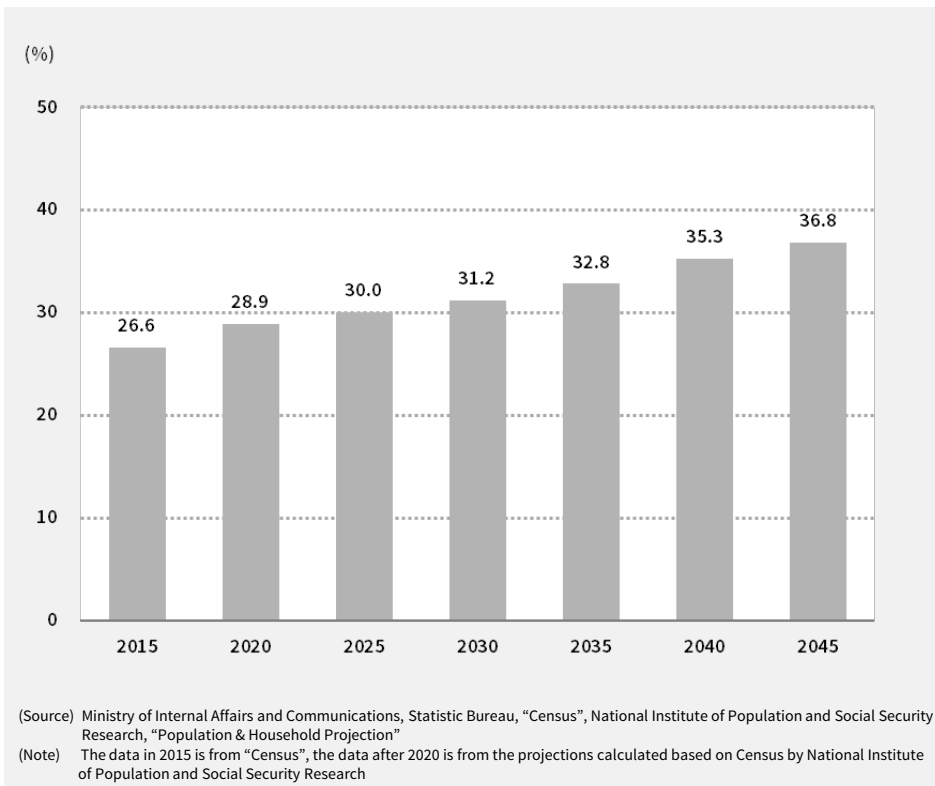
Population outlook for Japan



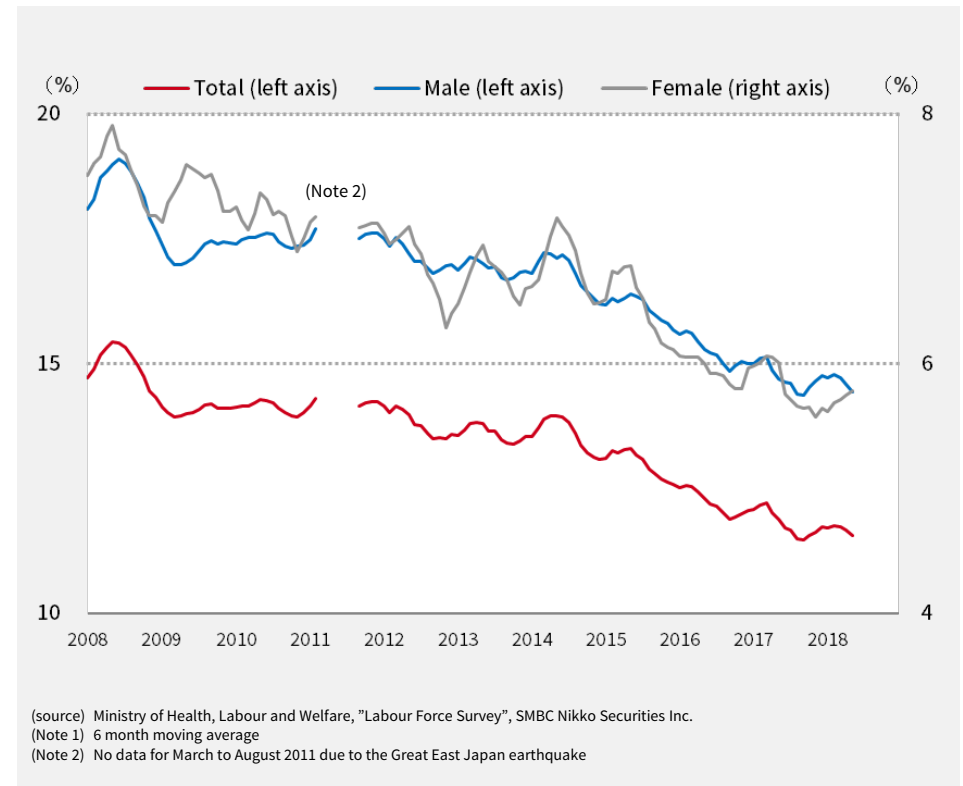
Population outlook for the three metropolitan areas central districts



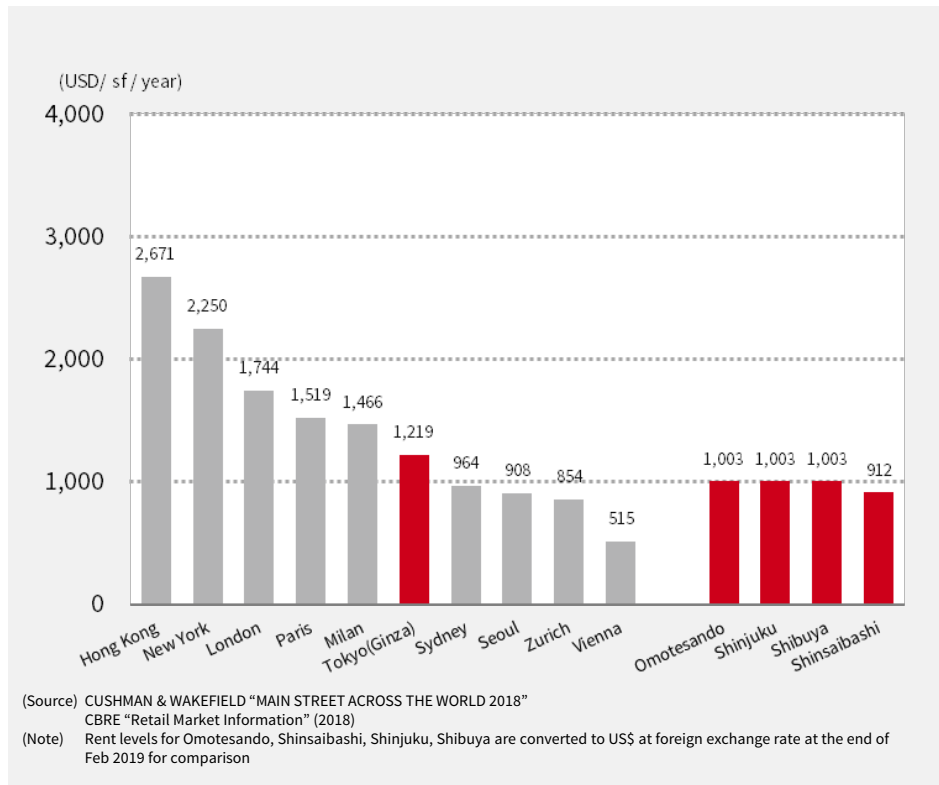
Percentage flow of the population over 65 years old



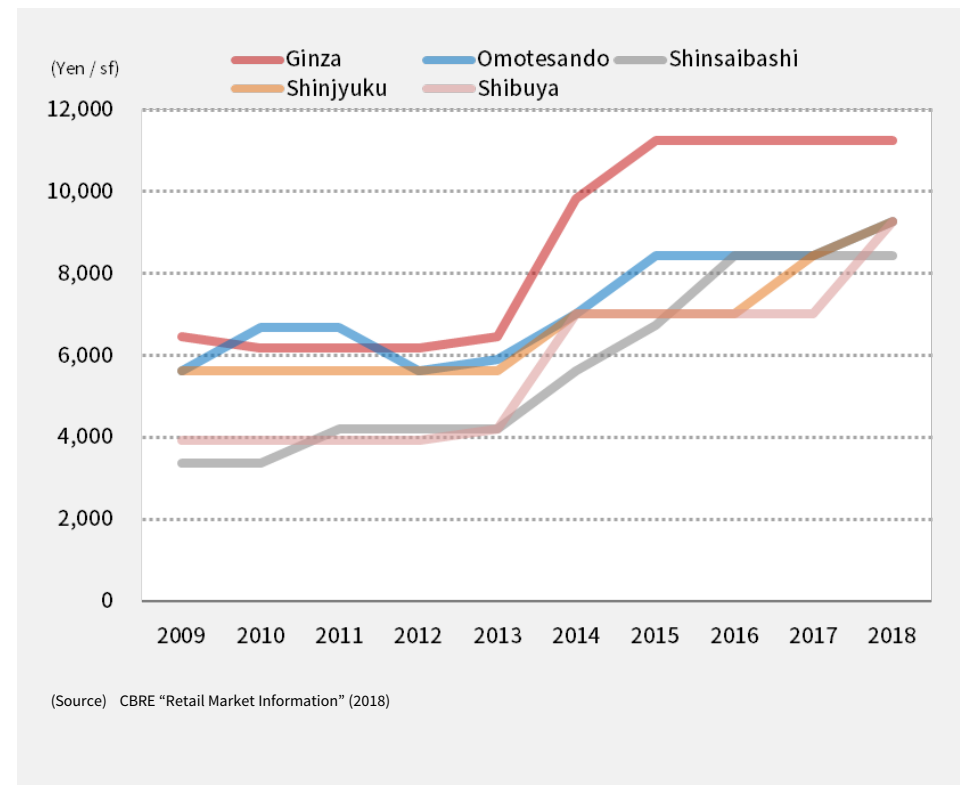
Percentage of workers who work over 60 hours / week, out of workers who work 35 hours / week (Note 1)



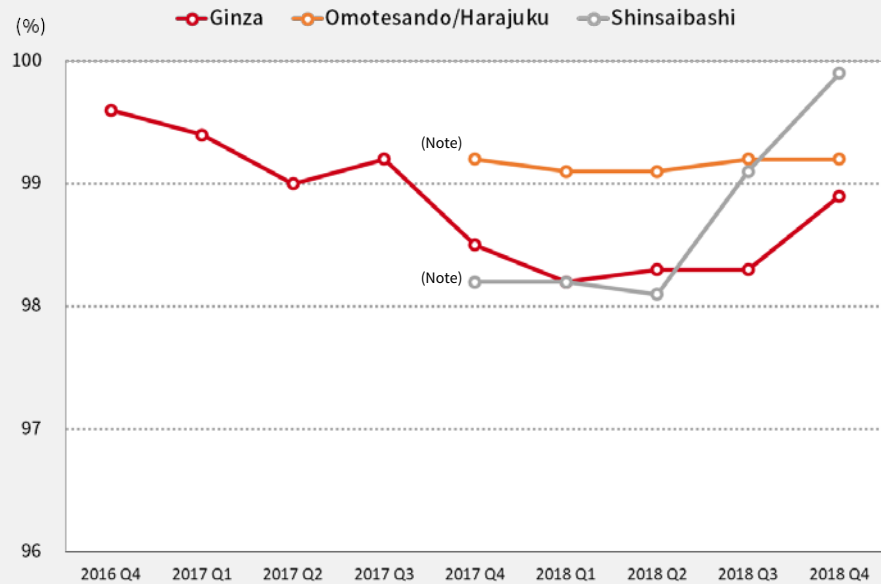
Rent levels of retail properties in major cities worldwide



Change in highest rents in major commercial districts

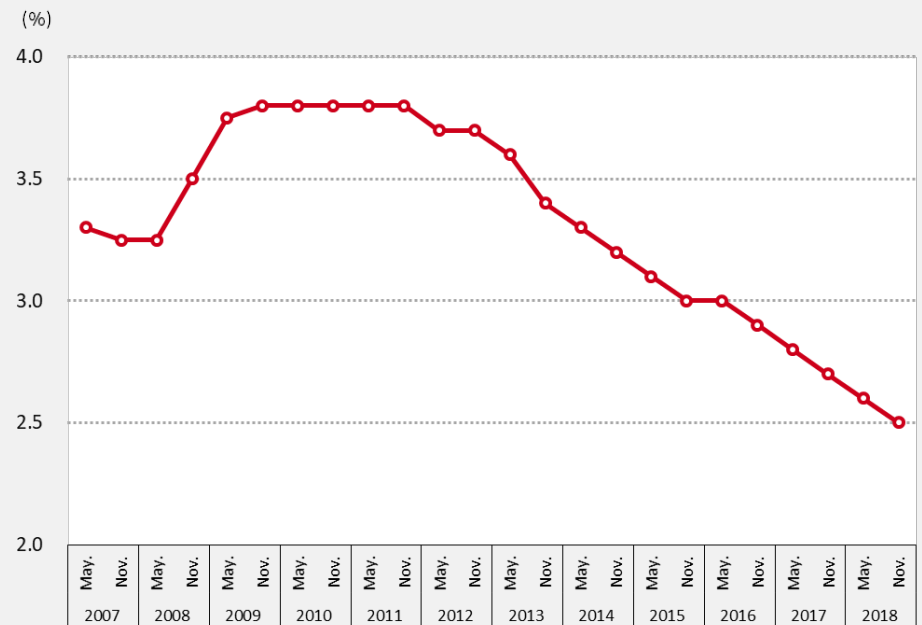


Occupancy rate of urban retail properties in prime locations



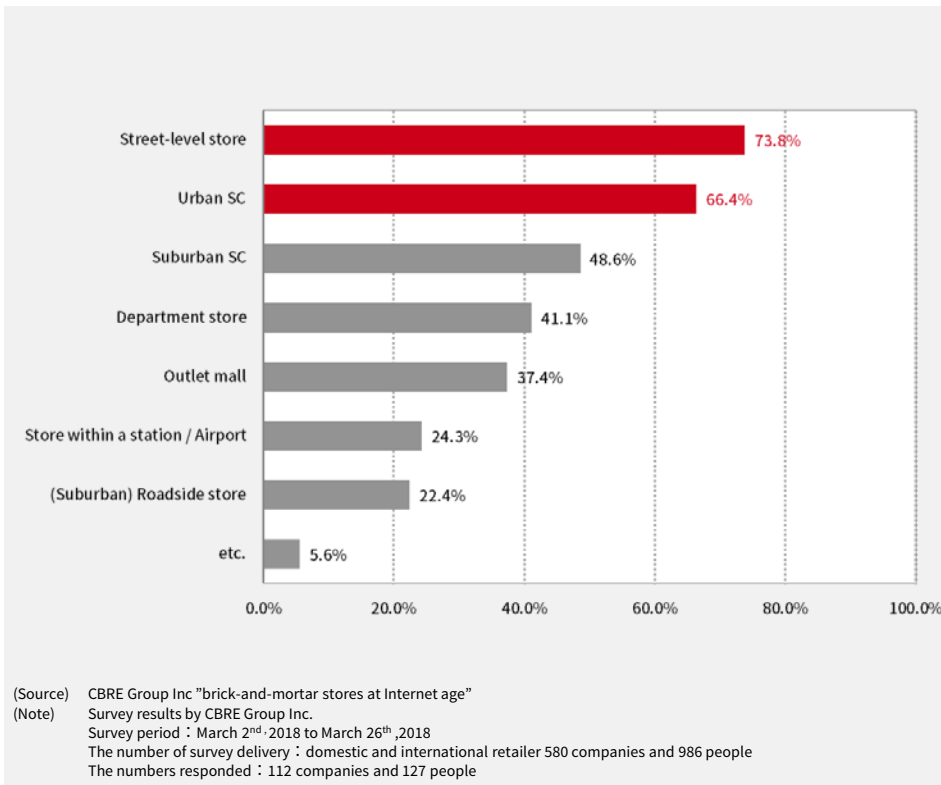
(Source) CBRE "Retail market review 4th quarter 2018"
 (Note) The data before 2017 3Q is not disclosed by the source

Historical Cap Rate of urban retail properties located in Ginza

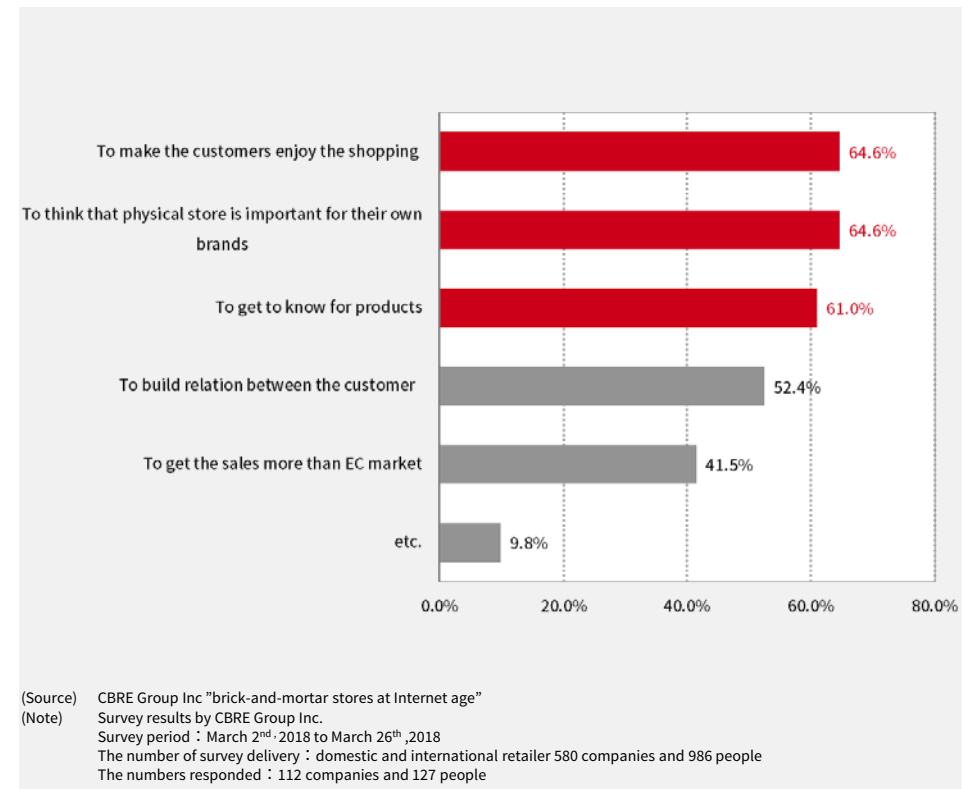


(Source) Japan Real Estate Institute
 (Note) Yield assessed based on cap rate of specialty stores with building age of around 5 years along side Ginza Chuo-dori in Chuo-ku, Tokyo

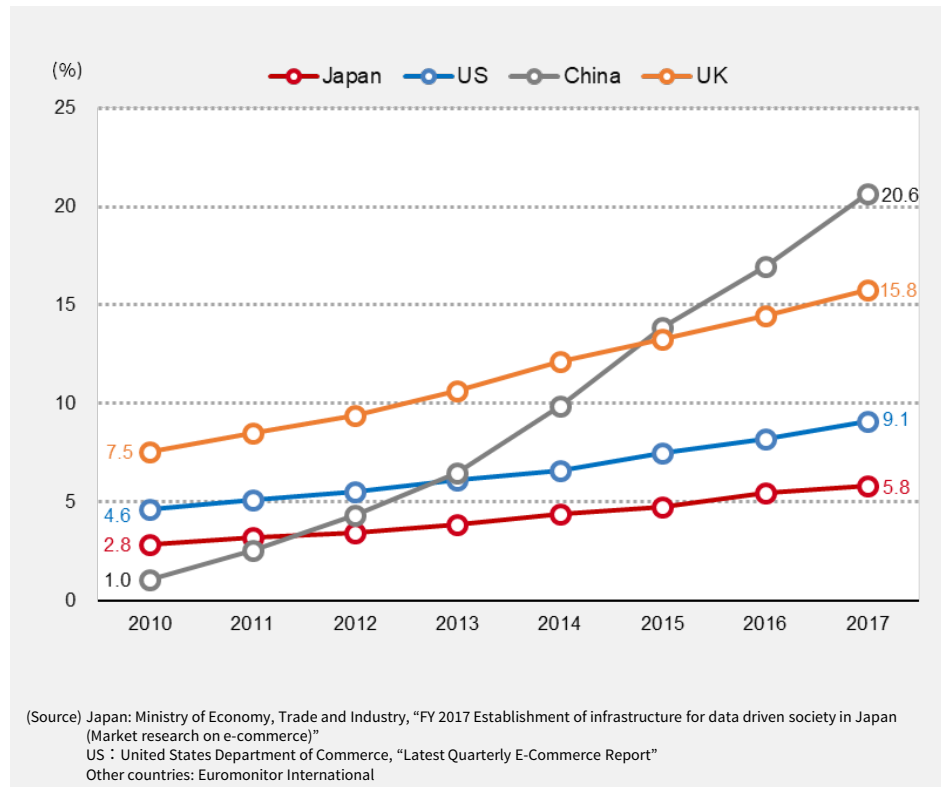
Opening plan for brick-and-mortar stores



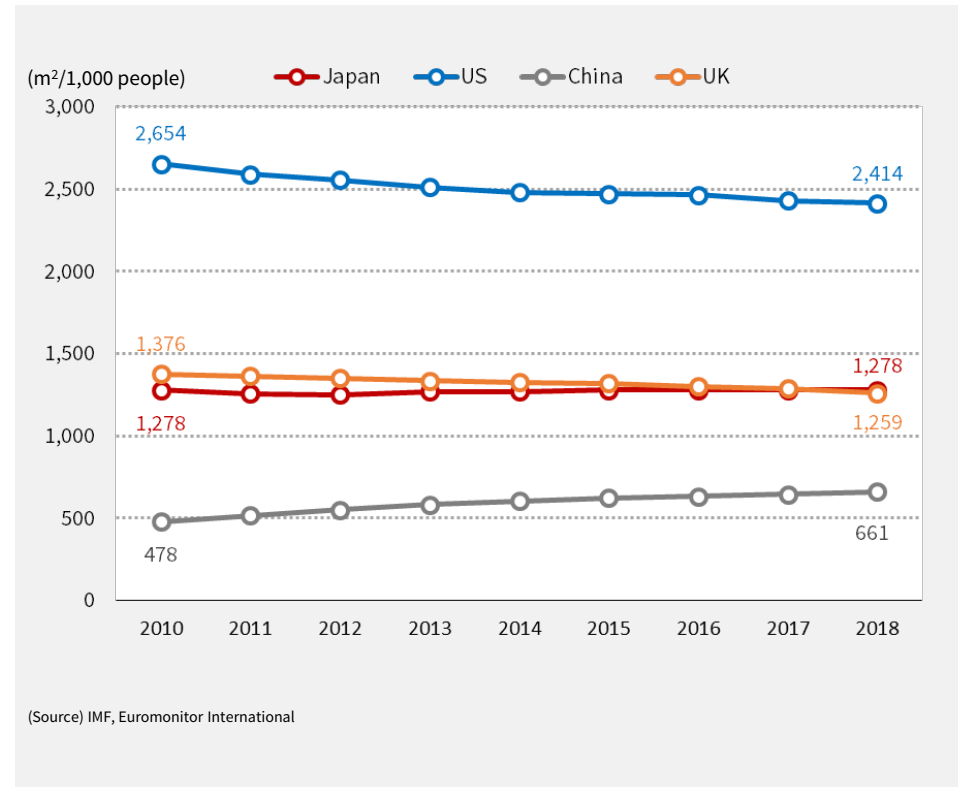
Reasons to not reduce existing brick-and-mortar stores



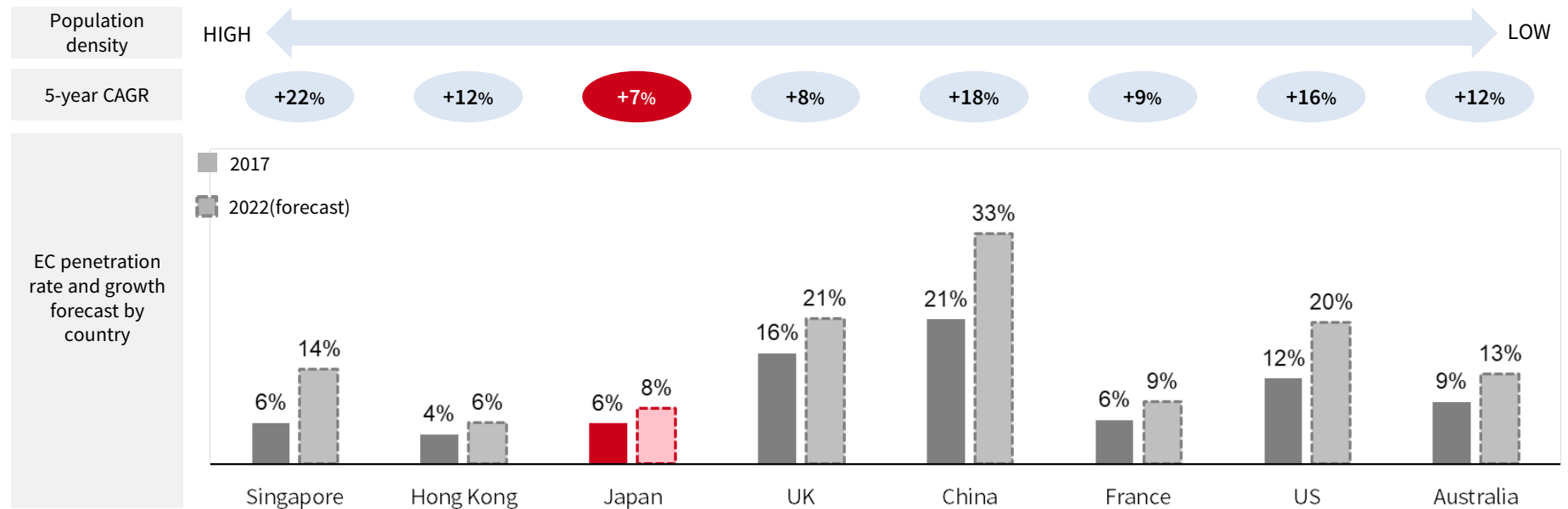
EC penetration rate by country



Retail Sales area per 1,000 people



EC penetration rate and growth forecast by country



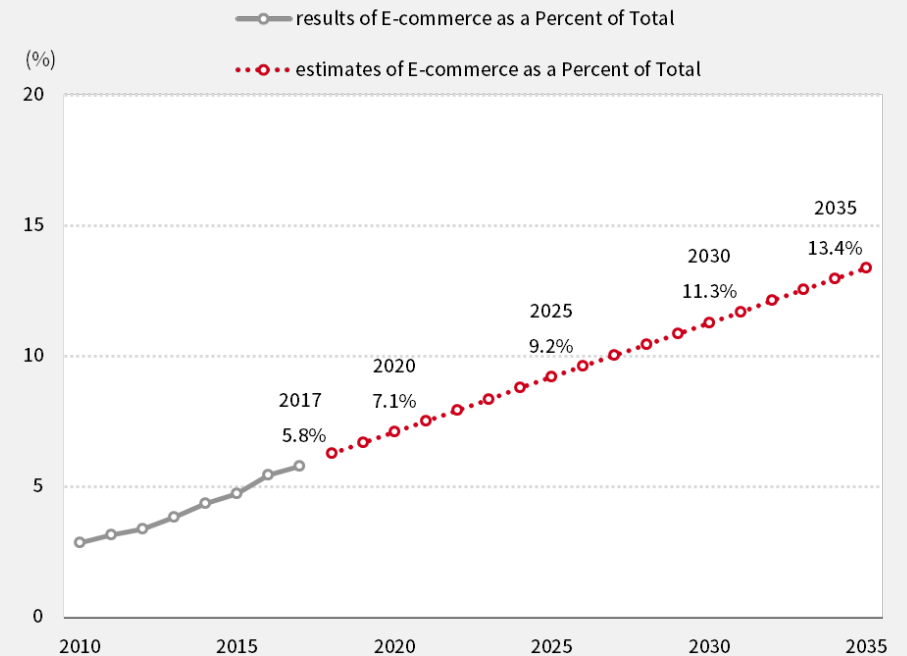
(Source) Japan: Actual figure for 2017 is from "FY2017 improvement of foundation in data-driven society in Japan (Market research on E-commerce)" announced by Ministry of Economy, Trade and Industry
 For estimate figure for 2022 is figure from "Retail sales long-term outlook" by NLI Research Institute
 Other countries: 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.	1,533 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	1,558 billion JPY	2.4%
Others	278 billion JPY	0.8%
Total	8,601 billion JPY	5.8%

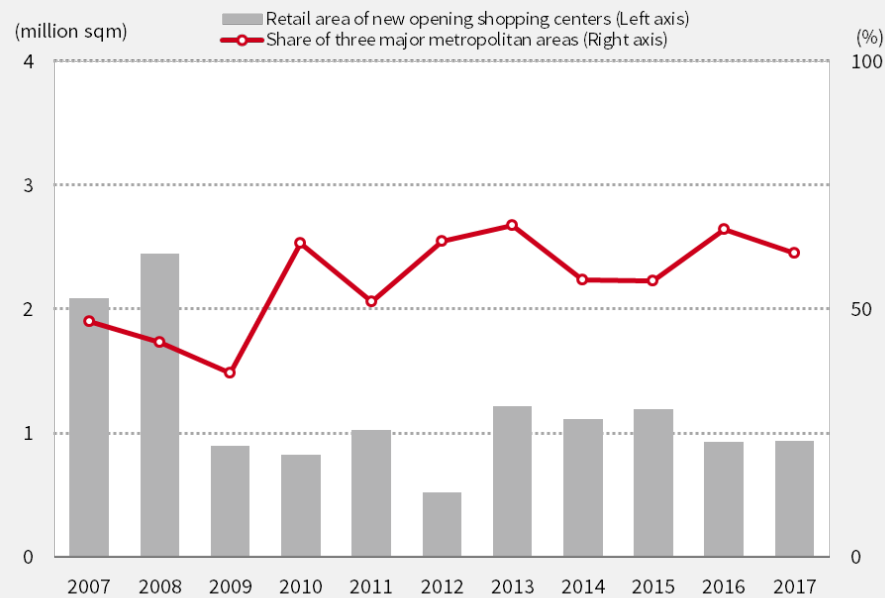
(Source) The Ministry of Economy, Trade and Industry, "FY 2017 Establishment of infrastructure for data driven society in Japan (Market research on e-commerce)"

Forecast of EC penetration rate in Japan



(Source) Actual figures until 2017 are figures in "FY2017 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"

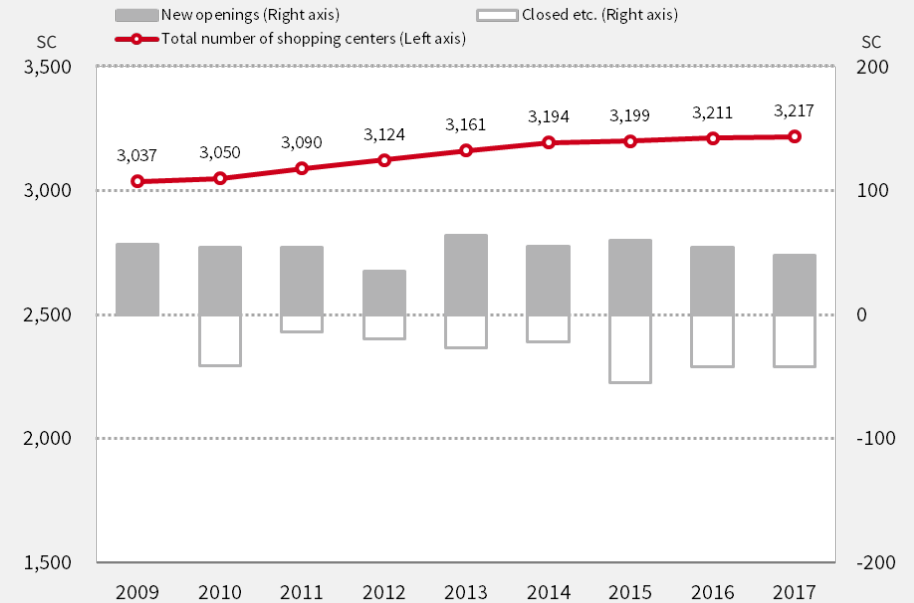
Retail area of new opening shopping centers and share of three major metropolitan areas



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

(Note) Retail area of some facilities includes gross rentable area, gross area and registered area of Large-Scale Retail Stores Location Law
Three major metropolitan areas: Tokyo, Saitama, Chiba, Kanagawa, Aichi, Osaka, Kyoto, and Hyogo

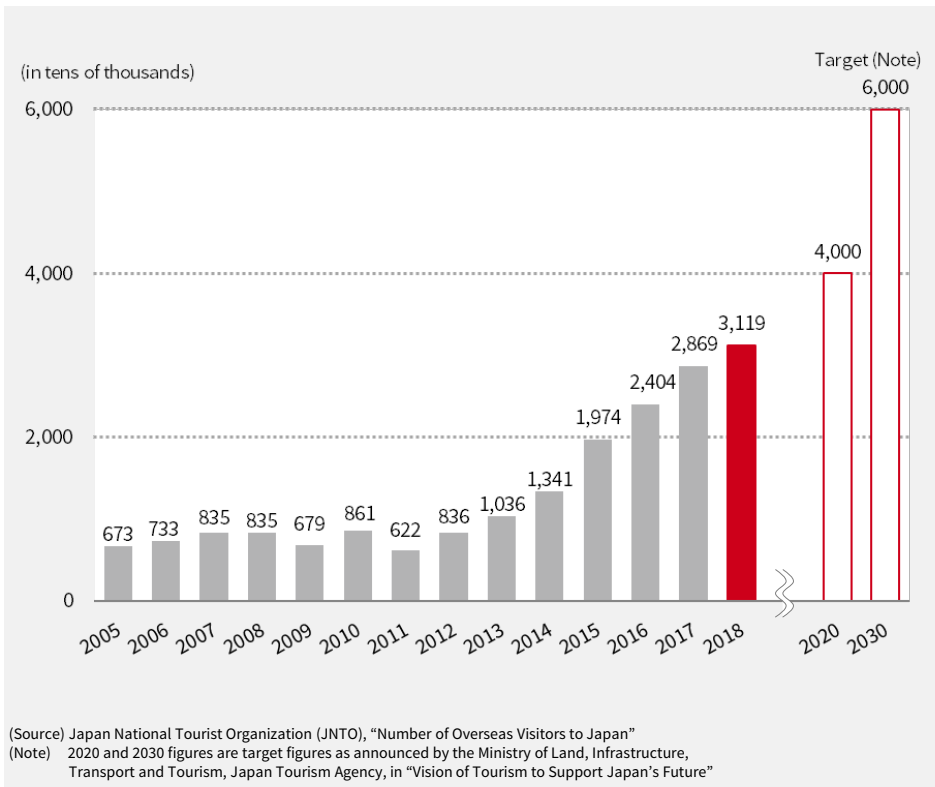
Trend of the number of shopping centers



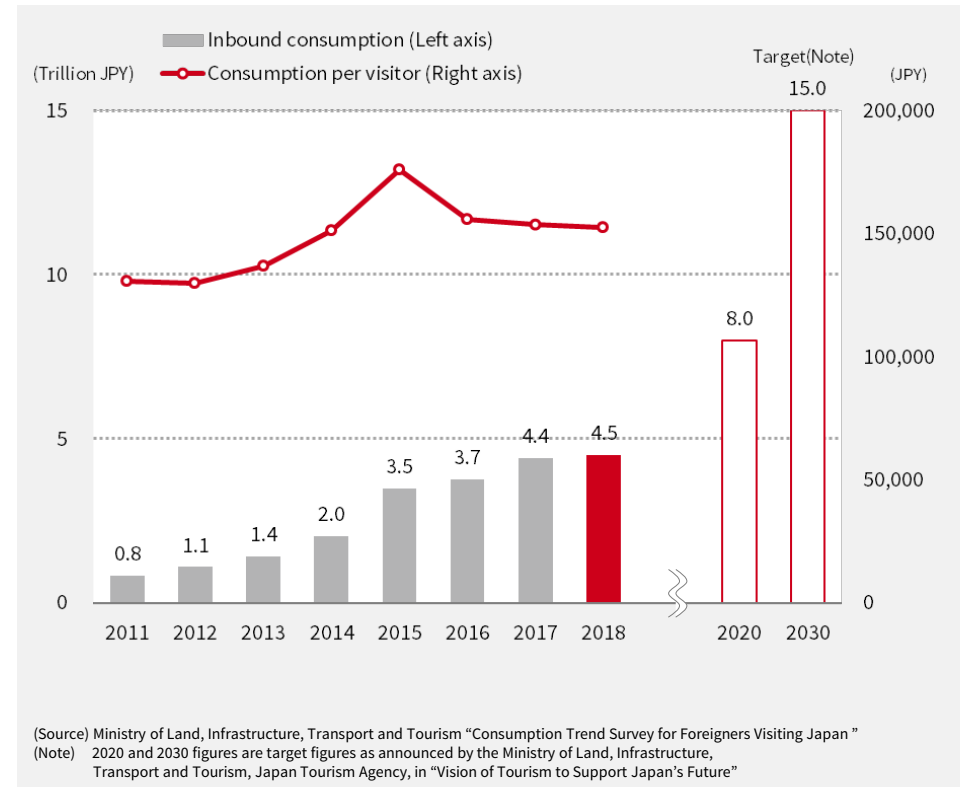
(Source) Japan Council of Shopping Centers, "SC White Paper"

(Note) Closed shops, except for anchor tenants, include the number of Shopping Centers in which 10 or more tenants have closed

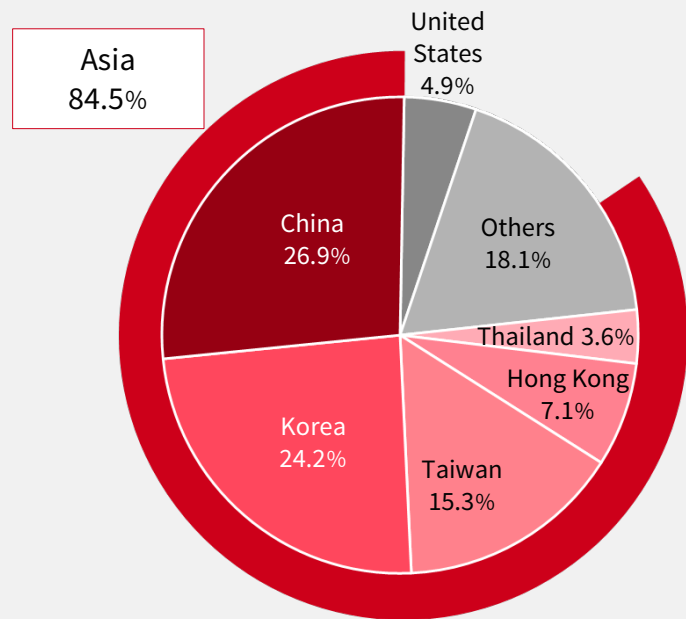
Trend of the number of inbound tourists in Japan



Trend of inbound tourists' consumption

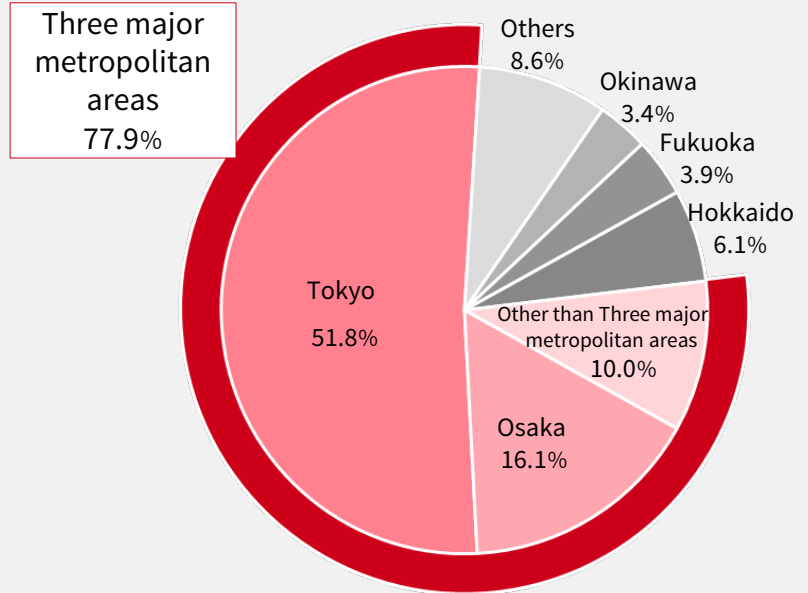


Number of foreign visitors to Japan by country



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

Foreign visitors' consumption by prefecture



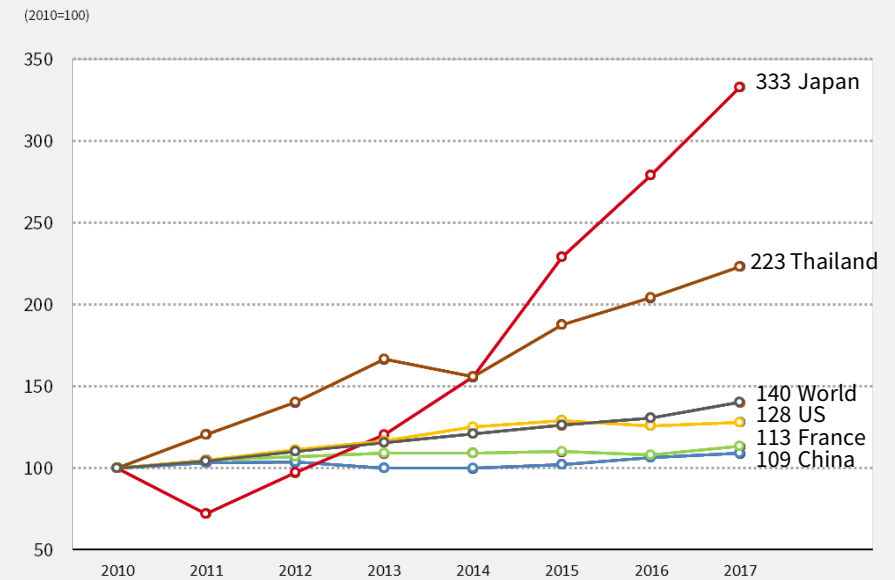
(Source) RESAS-Analysis system of local economy, VISA Worldwide Japan

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	76.9 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	18.3 million
9	Germany	37.5 million	19	Netherlands	17.9 million
10	Thailand	35.6 million	20	Macao	17.3 million

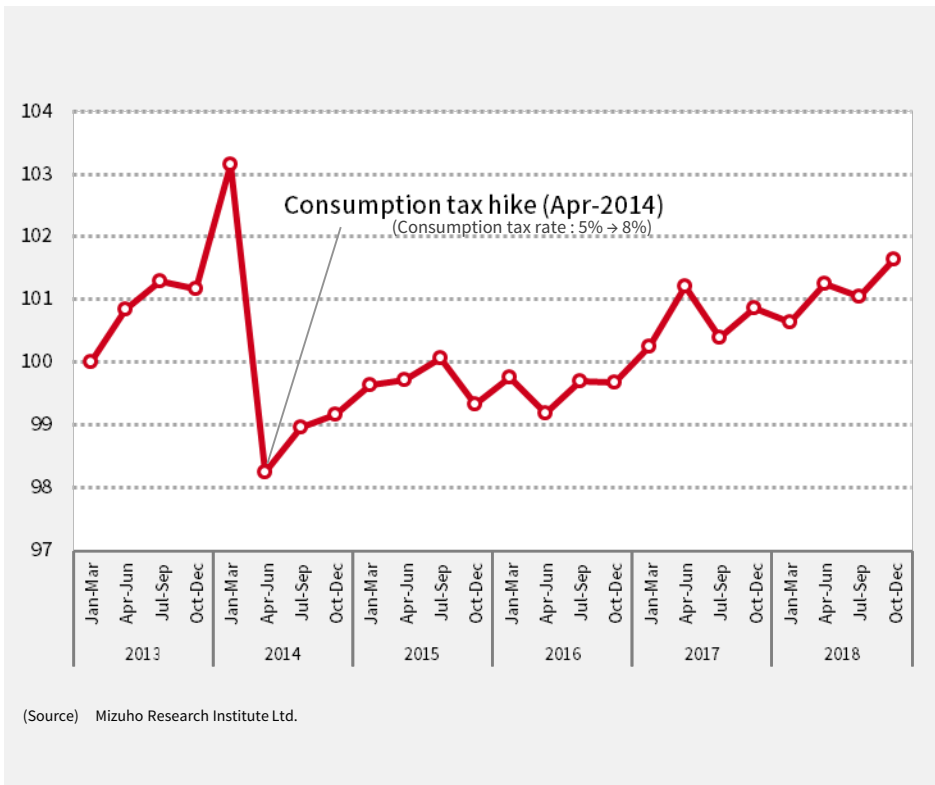
(Source) The World Bank
(Note) Data is for year 2017

Trends of the number of inbound tourists in the world

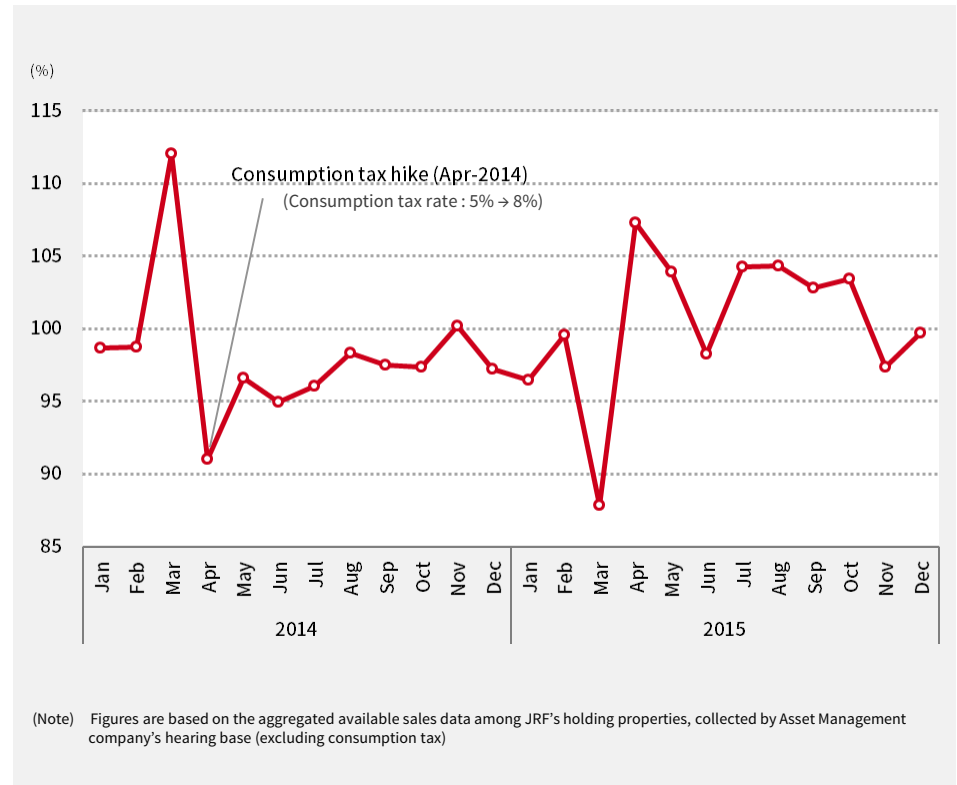


(Source) The World Bank
(Note) The number of tourist arrivals in 2010 is indexed as 100

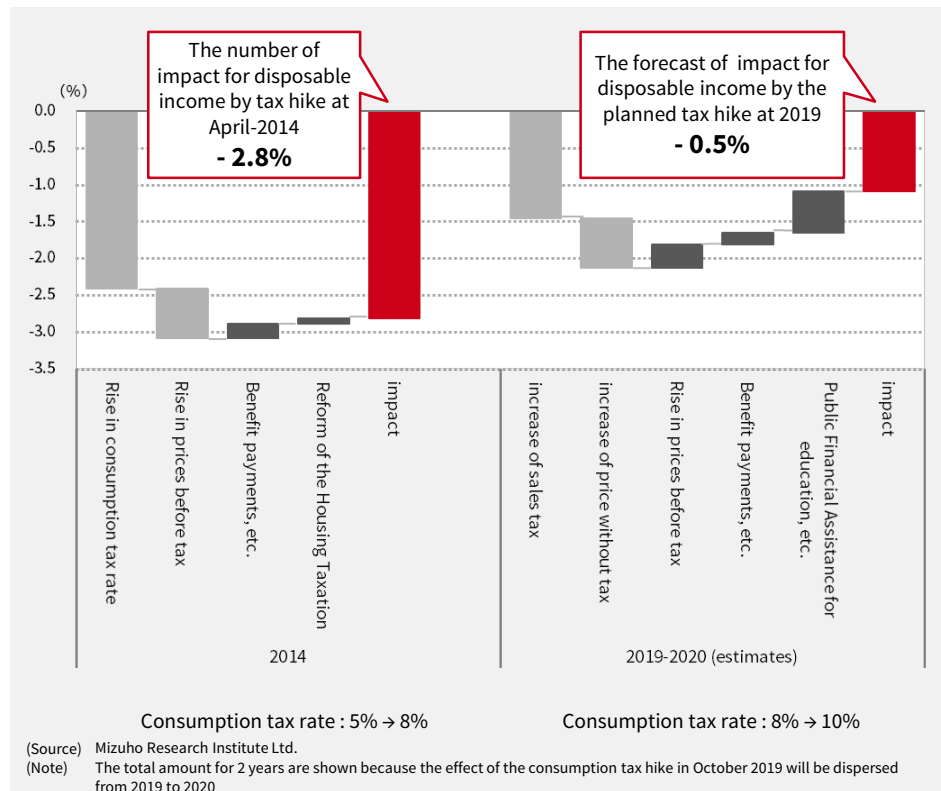
Transitions of consumer spending



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



Impact on disposable income after consumption tax hike

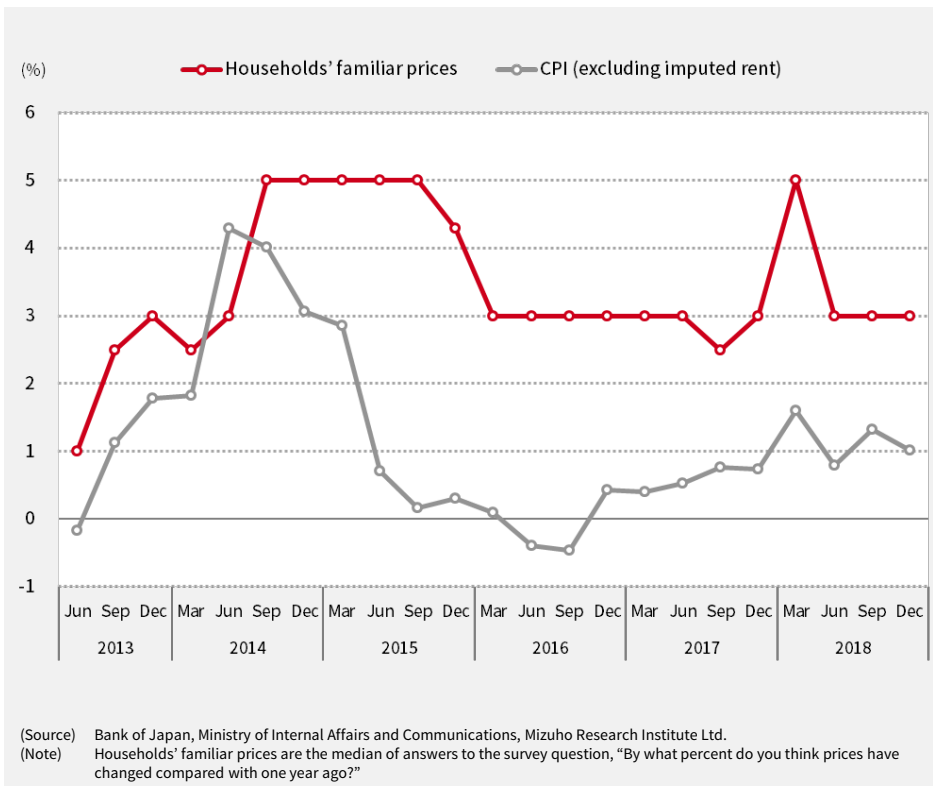


Income support after consumption tax hike year 2019

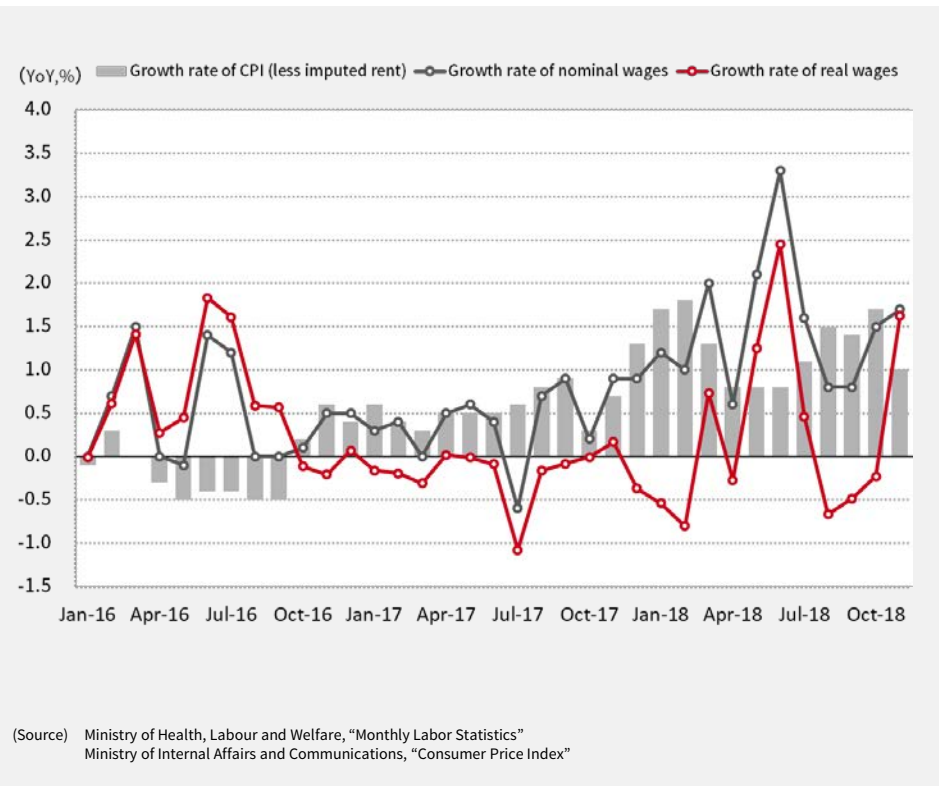
Timing of tax hike	Income support	Scale
Consumption tax hike in 2014	Benefit payments, etc.	0.6 trillion JPY
	Housing loan tax cut	0.2 trillion JPY
	Total	0.8 trillion JPY
Consumption tax hike in 2019 (estimates)	Reduced tax rate	1.1 trillion JPY
	Free charge for childhood and high school education Childcare support Improvement of labor conditions for Nursery Teacher and Care Worker	1.8 trillion JPY
	Pensioners support benefits, social security enhancement	1.0 trillion JPY
	Reward points, premium gift certificate	0.6 trillion JPY
	Housing and automobile purchase support (tax reduction and benefits)	0.7 trillion JPY
	Total	5.2 trillion JPY

(Source) Mizuho Research Institute Ltd.

Trend of CPI and familiar prices



Trend of CPI and wages (nominal/real)



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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