

Think bold today for a brighter tomorrow.



RETAIL PROPERTIES MARKET DATA

August 2019(35th) Period Results – Supplementary material

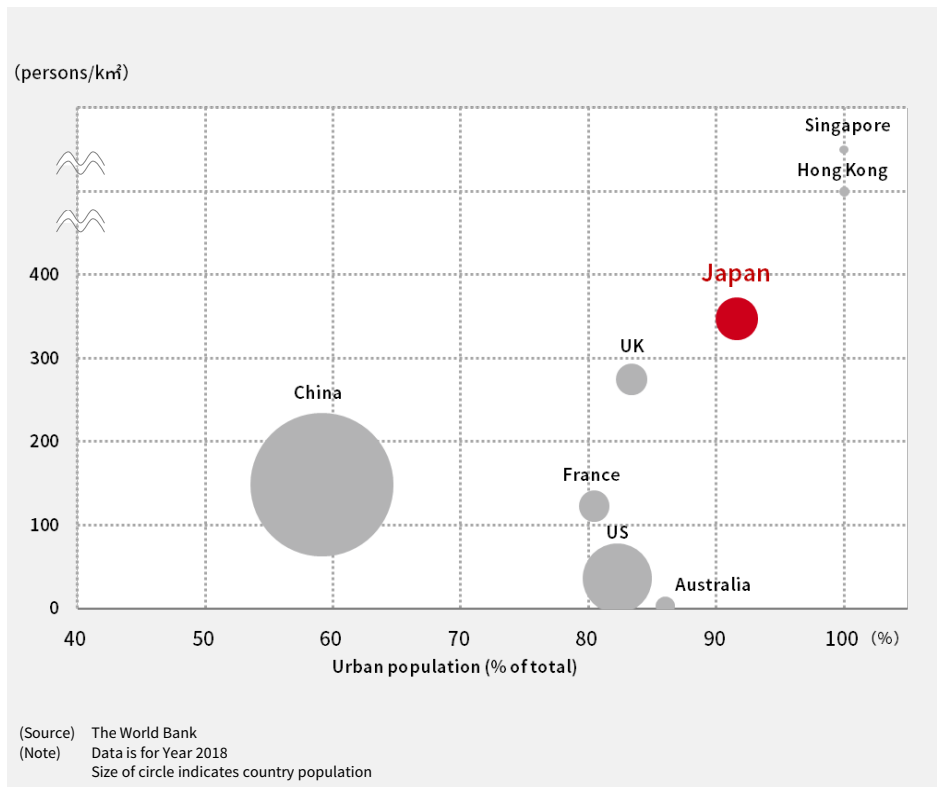
35th period: March 1, 2019 ~ August 31, 2019

Japan Retail Fund Investment Corporation

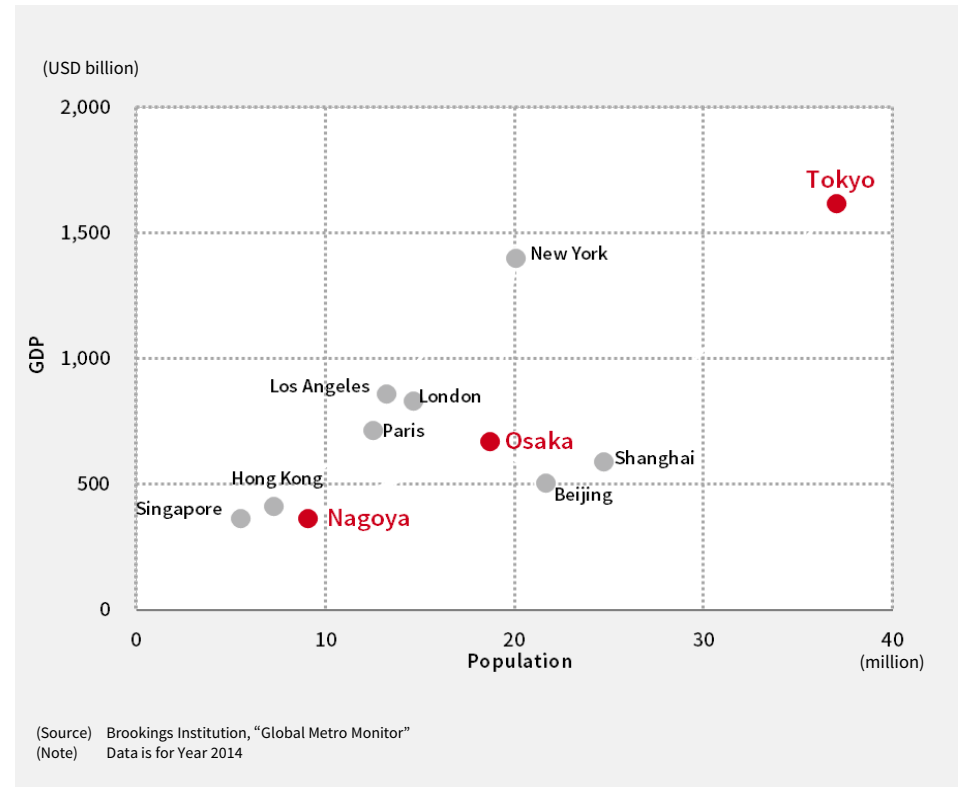
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Comparison of population density and urban population



Comparison of GDP and population in major metropolitan areas



Key differences between Japan and the US



Japan

378 thousand km²

Land area

126.52 million

Population

approx. **347**/km²

Population density

Concentrated in urban areas

(Population of urban area: **92%**)(Note)

Demographics

105%

(approx. 50% for urban area)

Car ownership
(per family)



Mainly by **train**

Commuting method

US



9,628 thousand km²

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

approx. **36**/km²

Relatively diversified

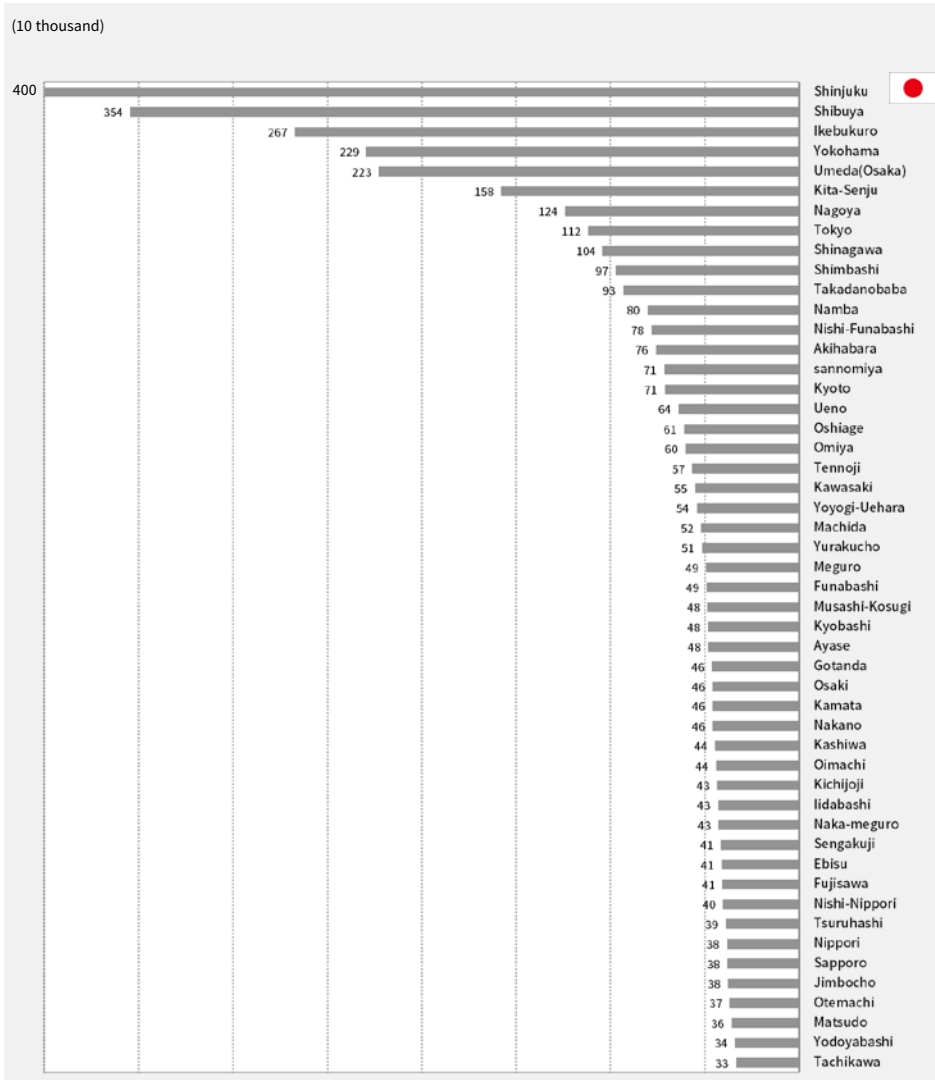
(Population of urban area: **82%**)

91%

Mainly by **car**



TOP50 in Japan ranking of passenger volume in train stations

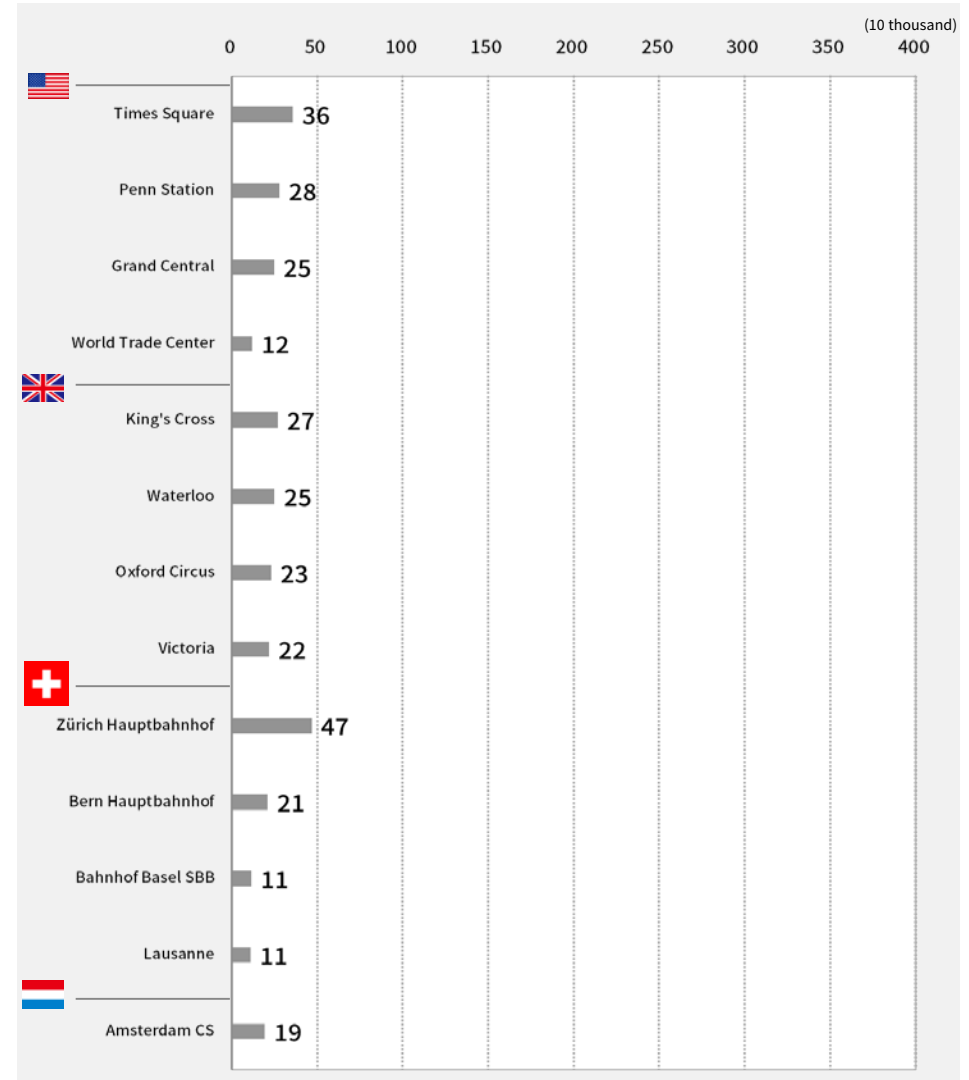


(Source) Based on disclosure documents of each train company

(Note) Data is for year 2016 (Some data for 2015 and 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

\$1.06 trillion

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

approx. **3,200**

of shopping centers

12 sq. ft.

Retail SF per capita

\$8,359

Retail sales
per capita/Year

Urban areas

More retail sales in

US



\$4.29 trillion
(approx. **4.1** times as Japan)

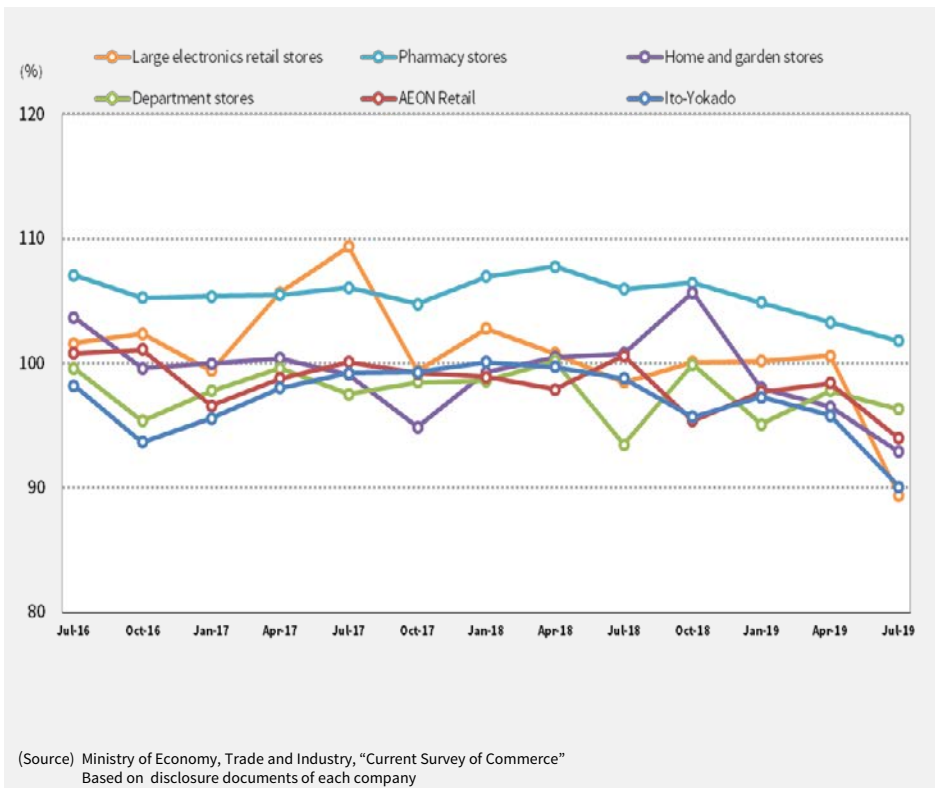
approx. **47,000**
(approx. **15** times as Japan)

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

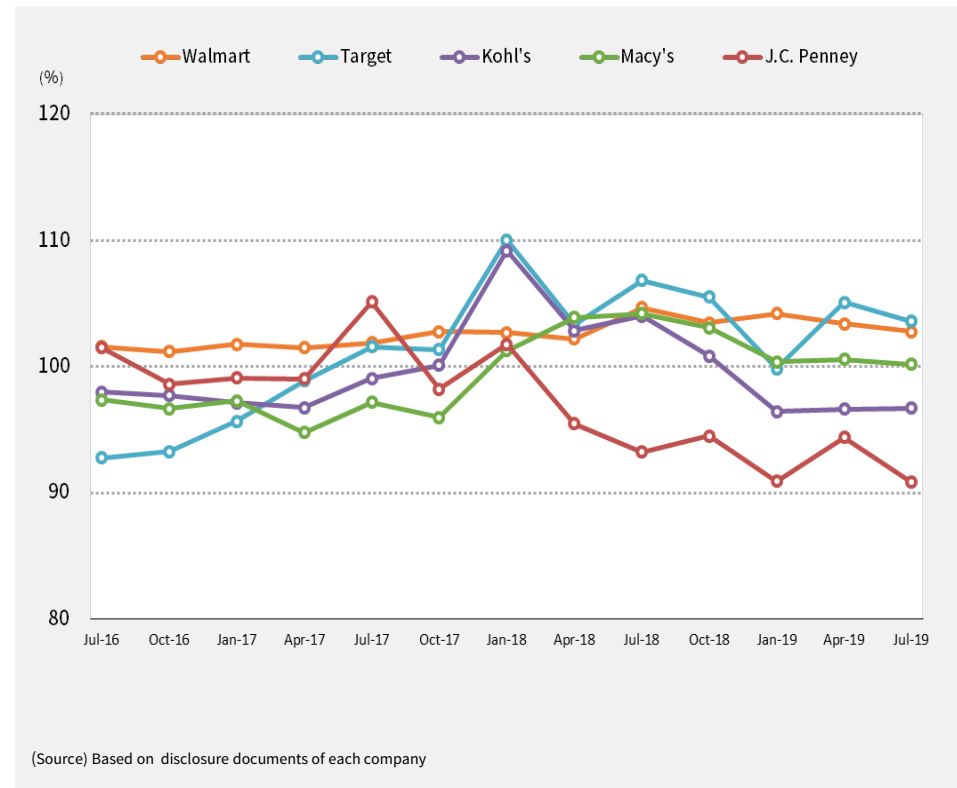
\$13,126
(approx. **1.6** times as Japan)

Suburban areas

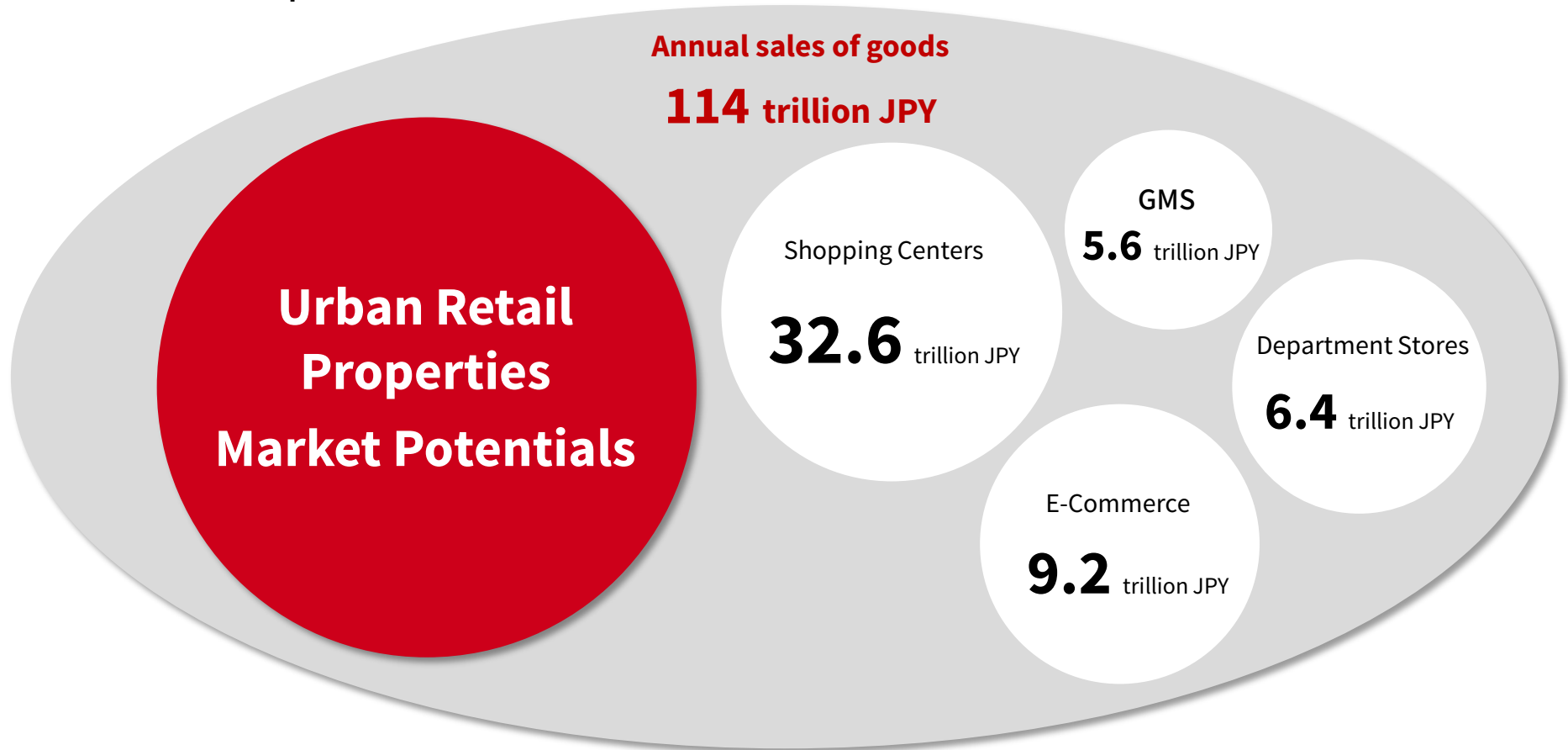
YoY change in monthly retail sales by major facility types in Japan (Jul. 2016 – Jul. 2019)



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

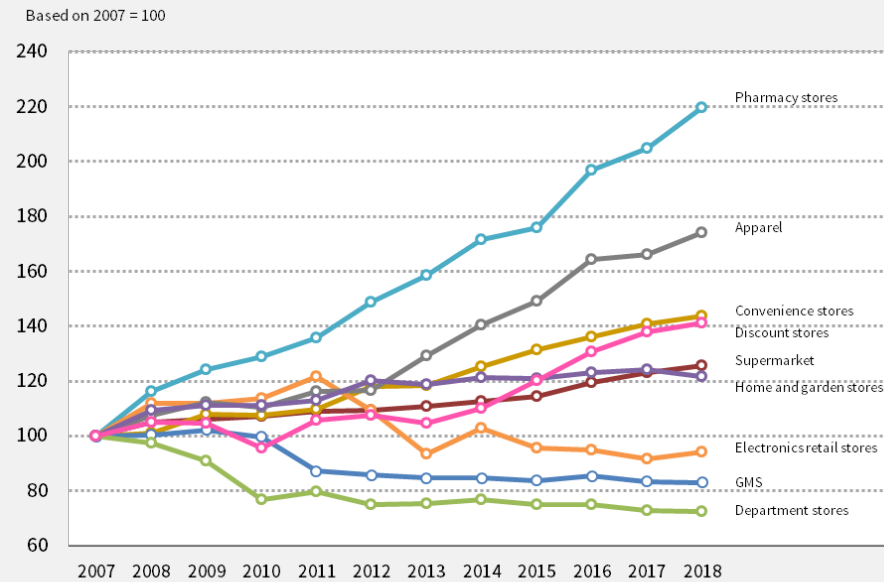


Size of retail market in Japan



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

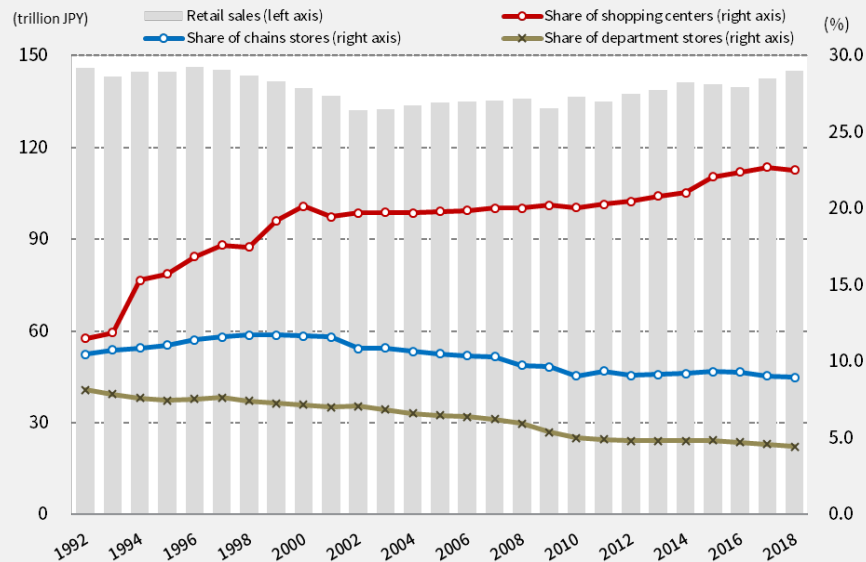
Sales growth rate of retail industry in Japan

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

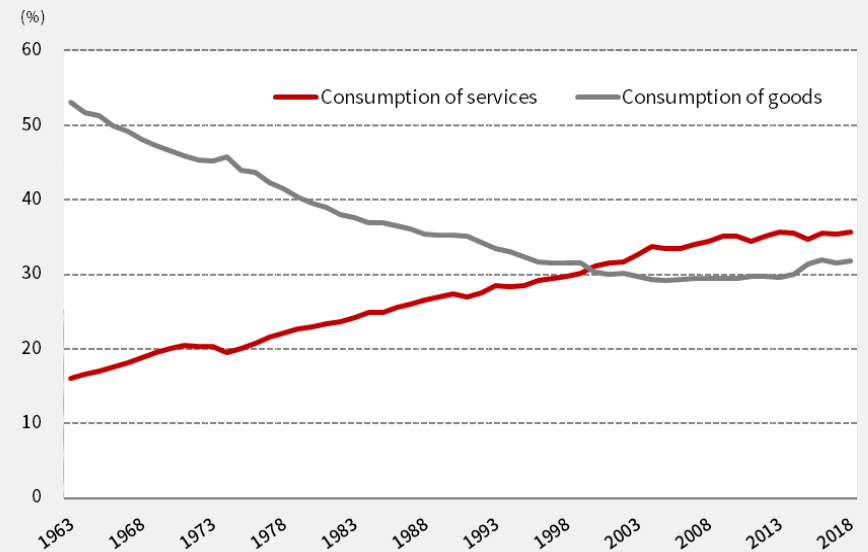
Total retail market sales and trend of SC, chain stores, department store share



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

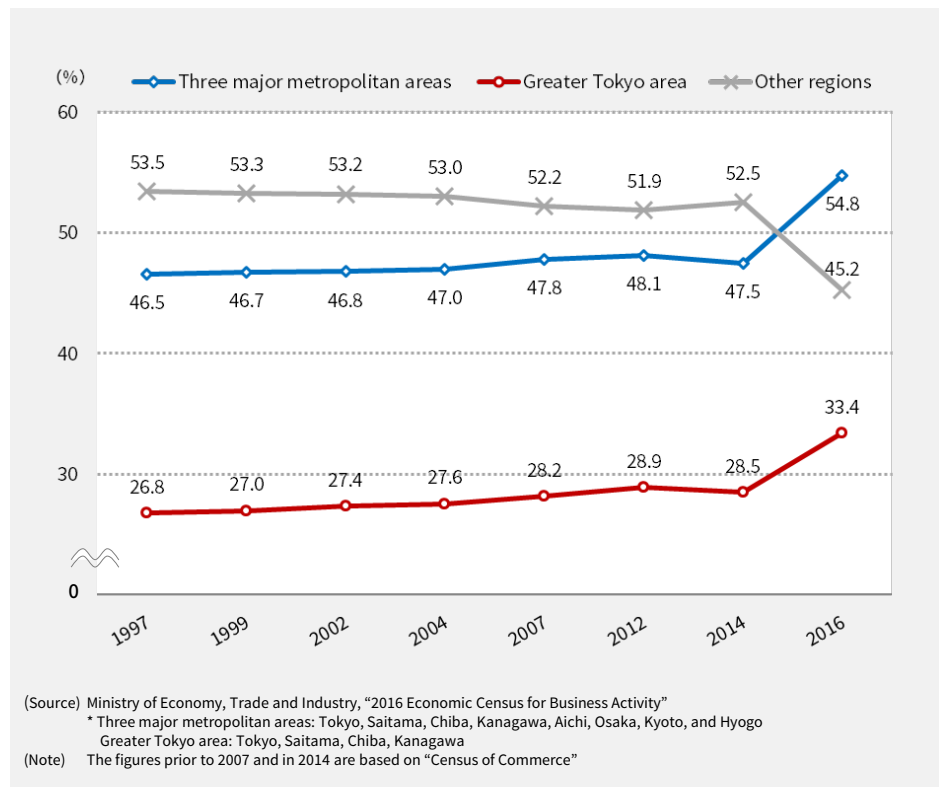


(Source) Ministry of Internal Affairs and Communications, Statistic Bureau, "Family Income and Expenditure Survey (Household Income and Expenses)"

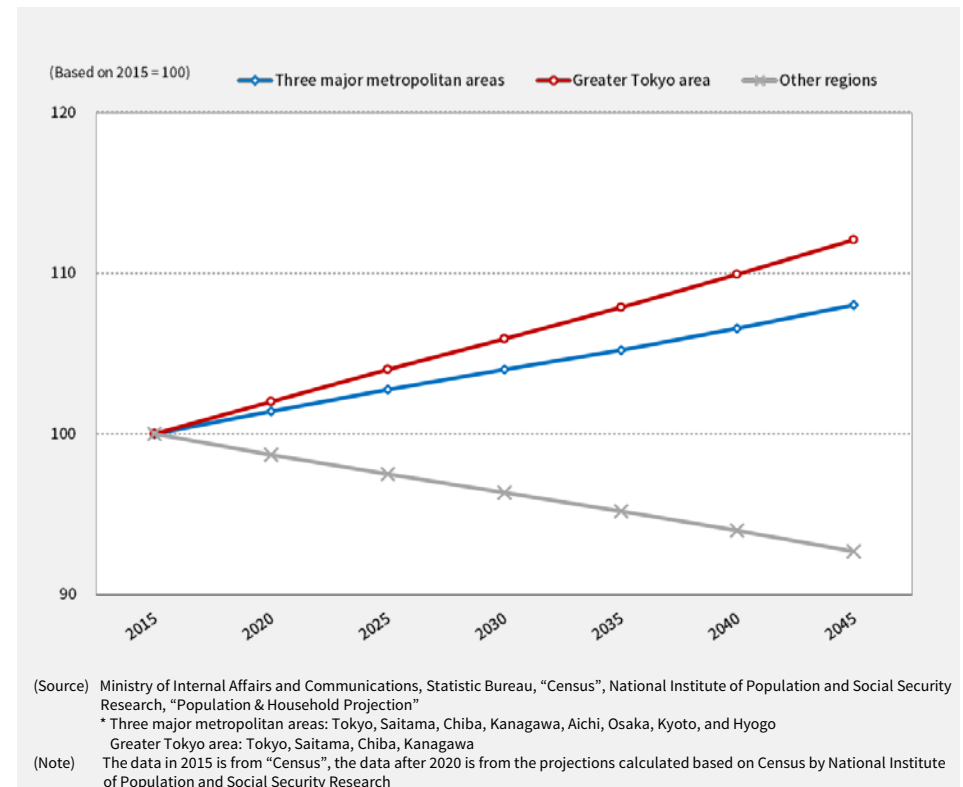
(Note) Survey of workers' households having two or more persons (Due to change in calculation method, farming, forestry and fishery households are excluded until 1999 but included from 2000)

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

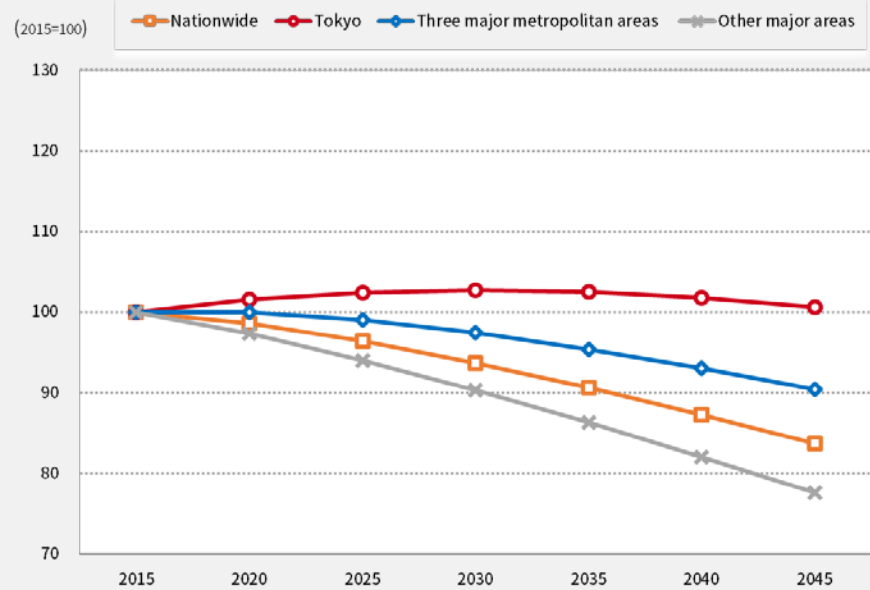
Percentage of total annual retail sales in Japan by each region



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



Population outlook for Japan

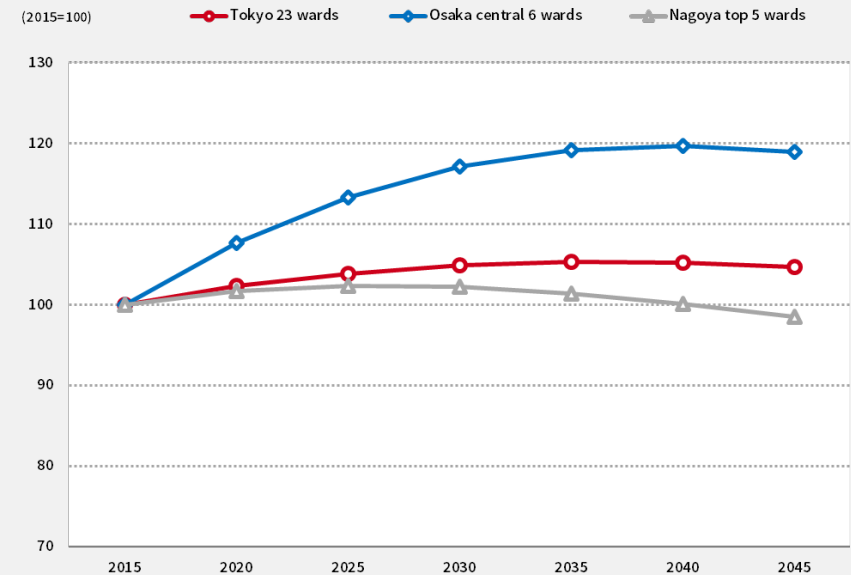


(Source) Ministry of Internal Affairs and Communications, Statistic Bureau, "Census", National Institute of Population and Social Security Research, "Population & Household Projection"

* 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



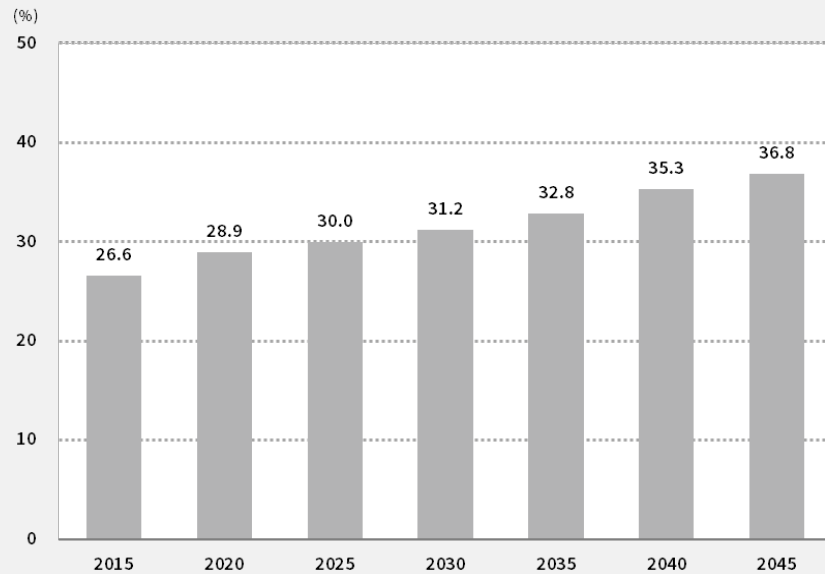
(Source) Ministry of Internal Affairs and Communications, Statistic Bureau, "Census", National Institute of Population and Social Security Research, "Population & Household Projection"

* 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

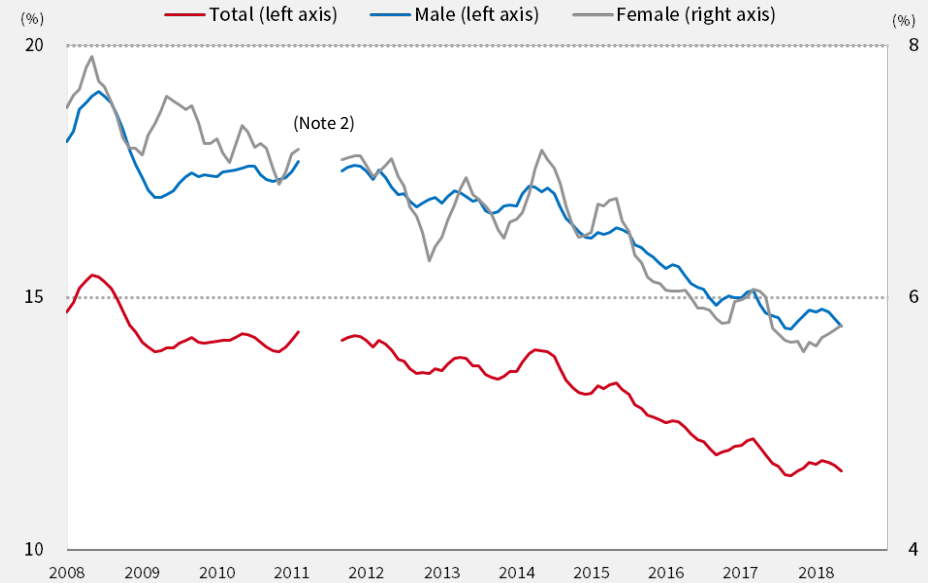
Percentage flow of the population over 65 years old



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

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

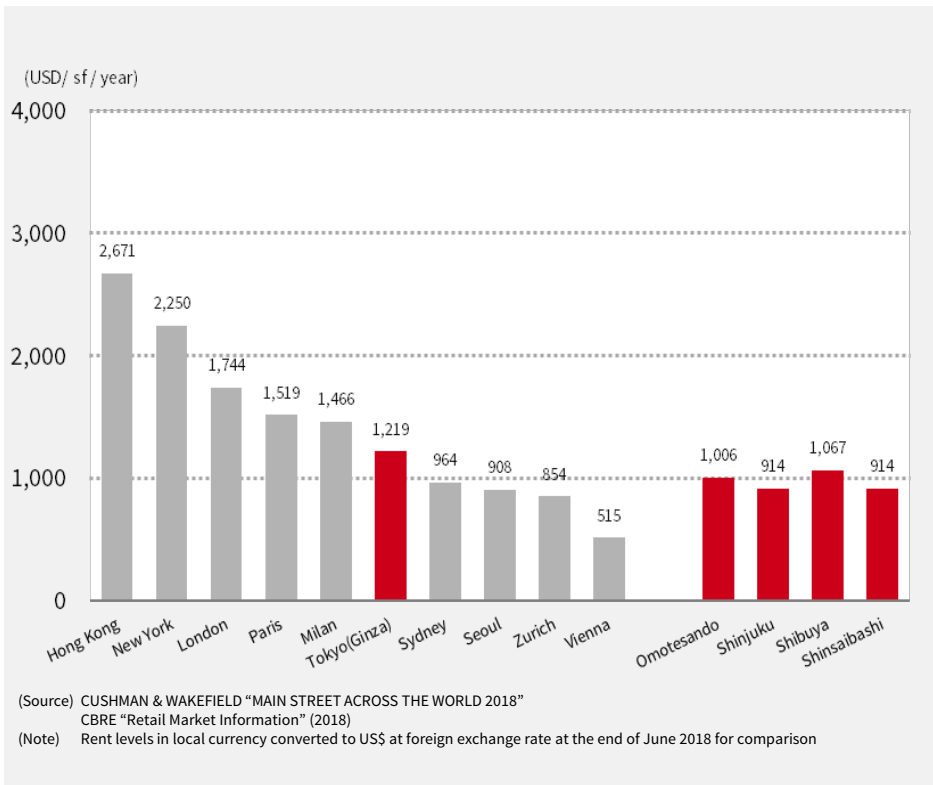


(source) Ministry of Health, Labour and Welfare, "Labour Force Survey", SMBC Nikko Securities Inc.

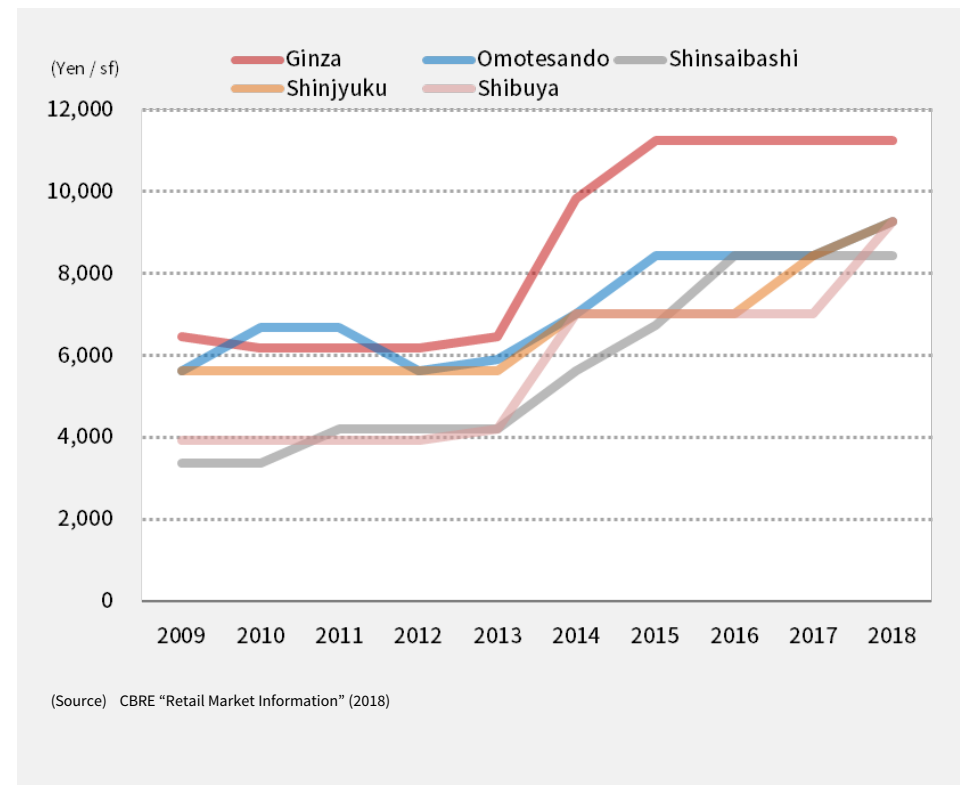
(Note 1) 6 month moving average

(Note 2) No data for March to August 2011 due to the Great East Japan earthquake

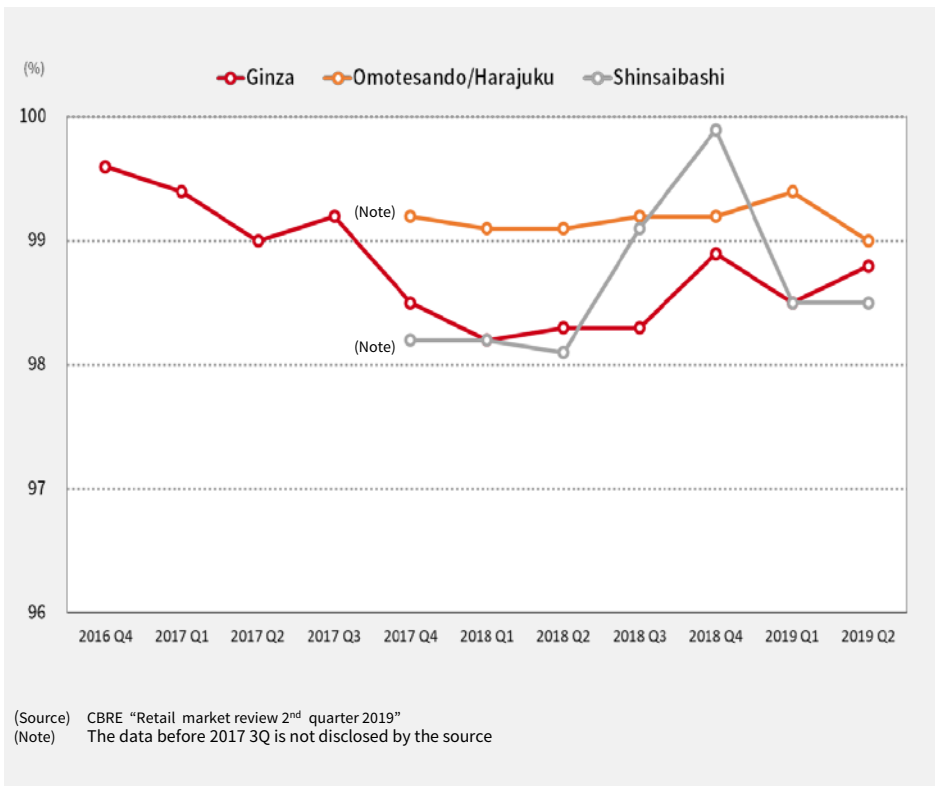
Rent levels of retail properties in major cities worldwide



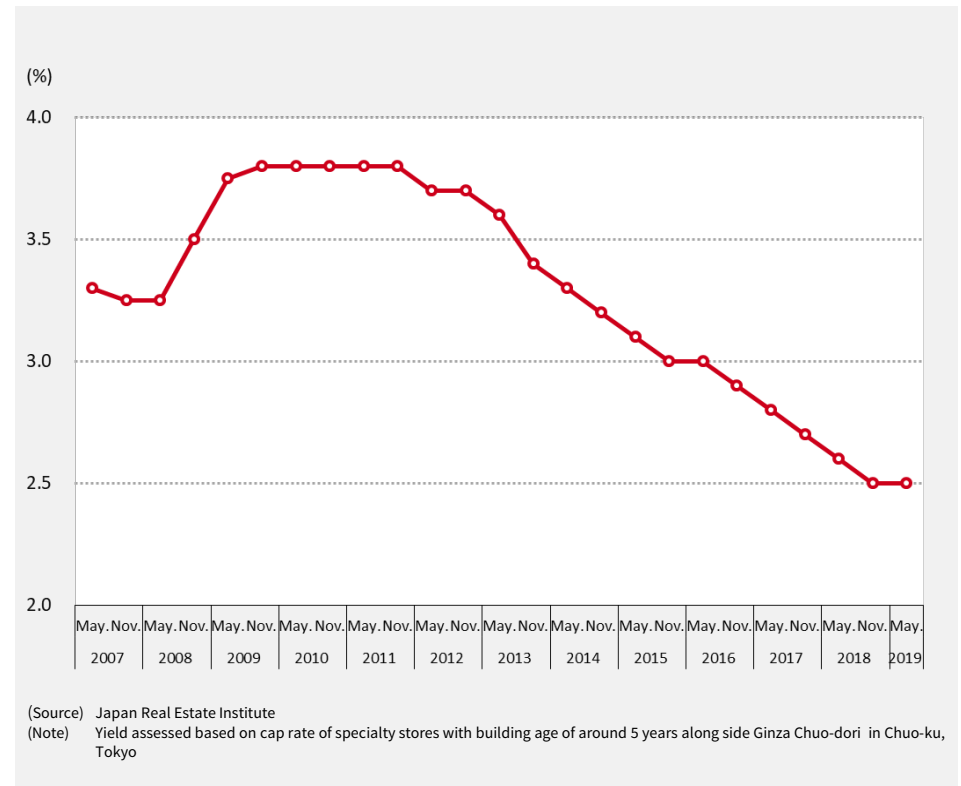
Change in highest rents in major commercial districts



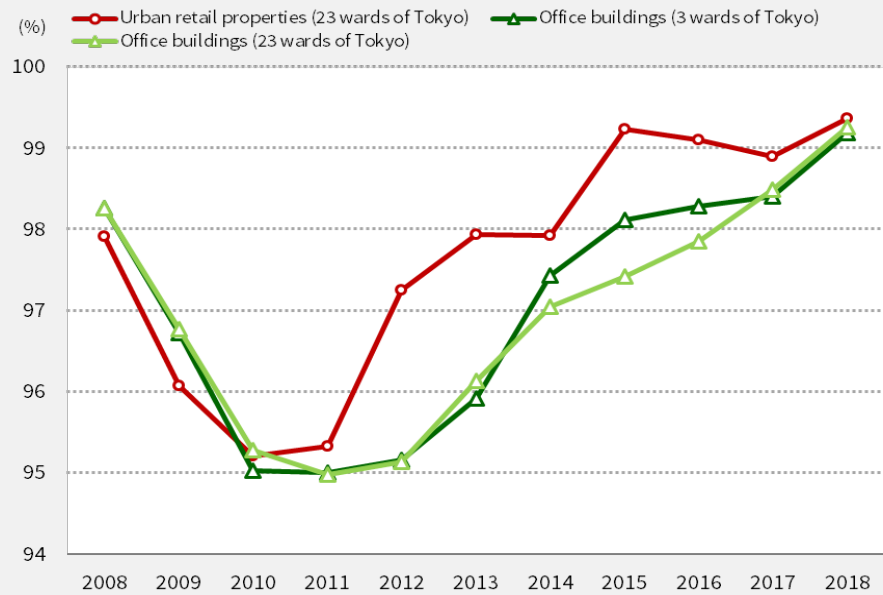
Occupancy rate of urban retail properties in prime locations



Historical Cap Rate of urban retail properties located in Ginza



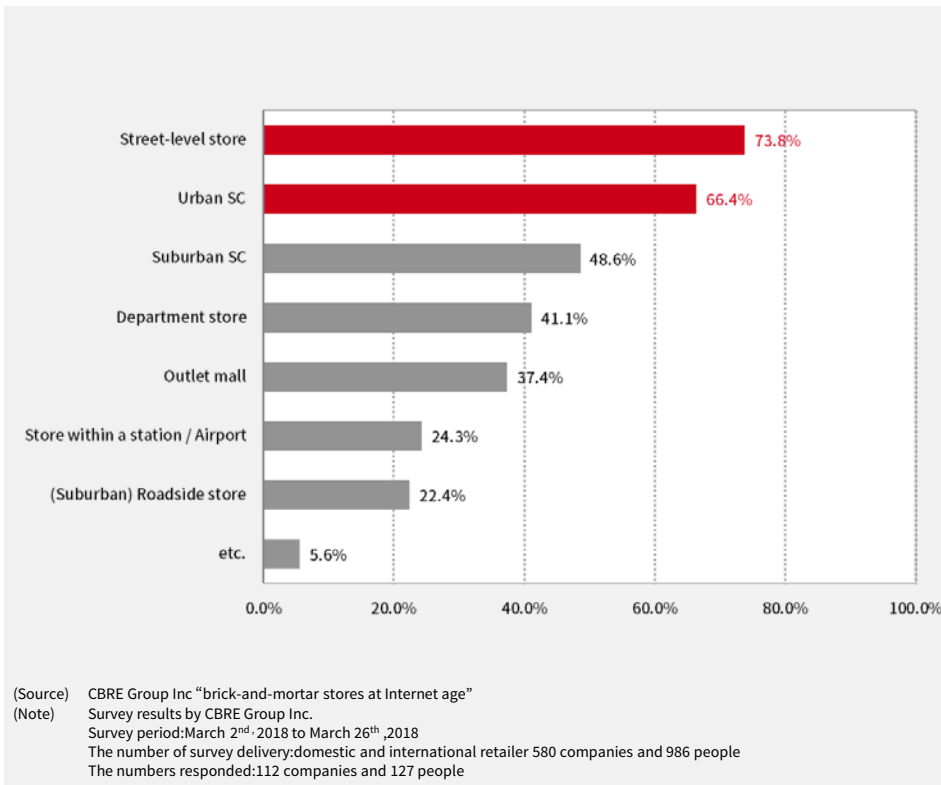
Occupancy rate of urban retail properties and office buildings



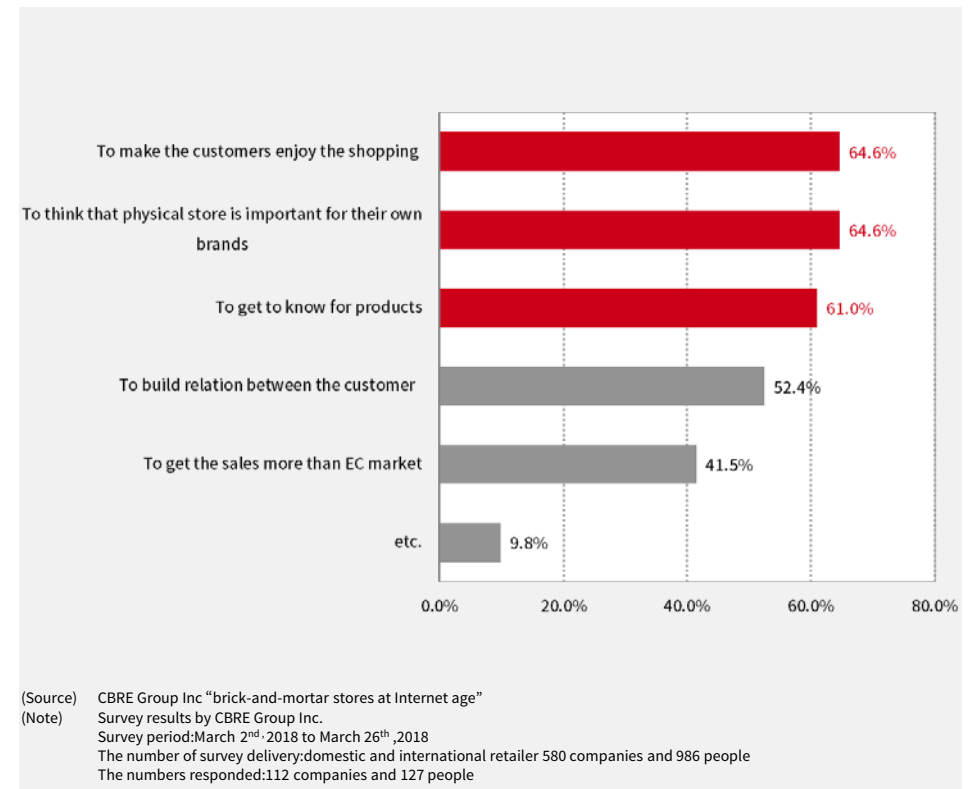
(Source) ARES Japan Property Index

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

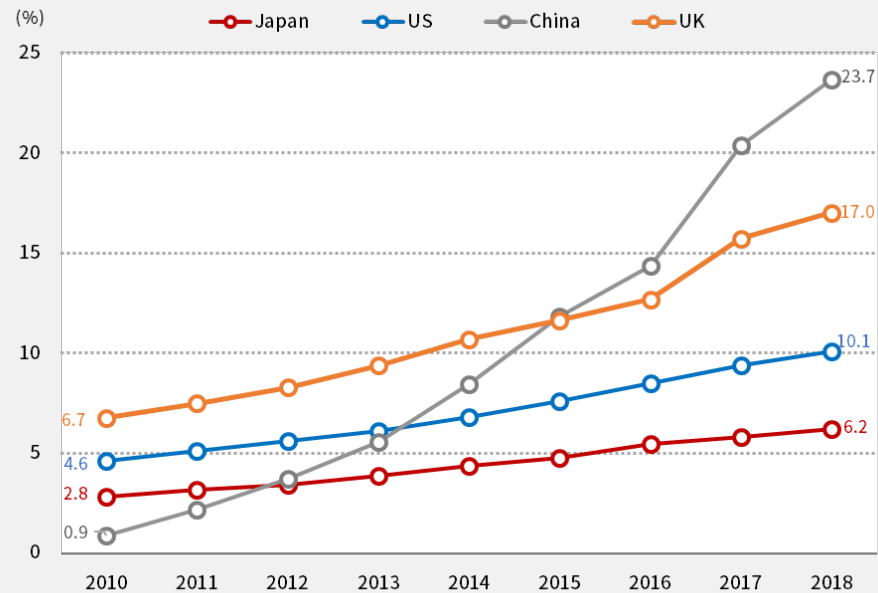
Opening plan for brick-and-mortar stores



Reasons to not reduce existing brick-and-mortar stores

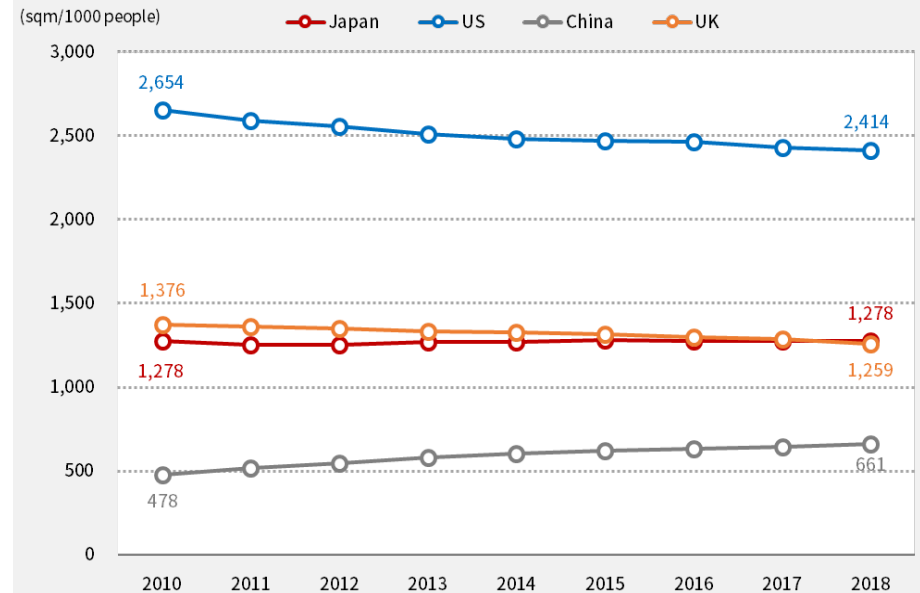


EC penetration rate by country



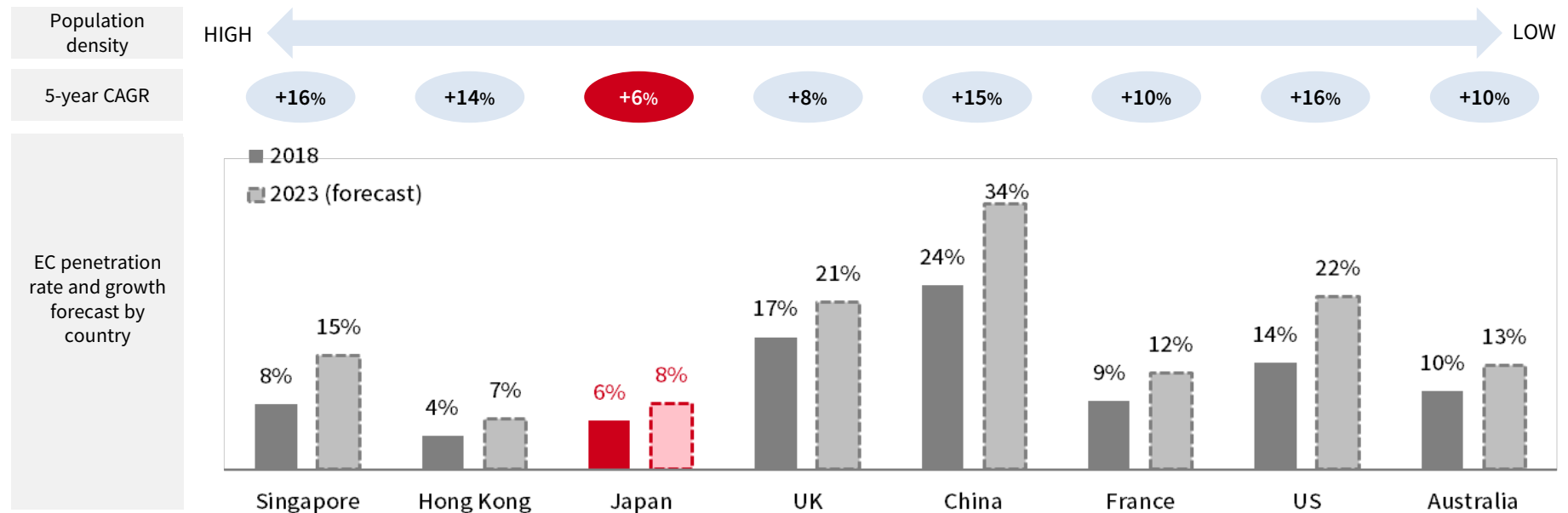
(Source) Japan: Ministry of Economy, Trade and Industry, "FY2018 Establishment of infrastructure for data driven society in Japan (Market research on e-commerce)"
 US: United States Department of Commerce, "Latest Quarterly E-Commerce Report"
 Other countries: Euromonitor International

Retail Sales area per 1,000 people



(Source) Euromonitor International

EC penetration rate and growth forecast by country



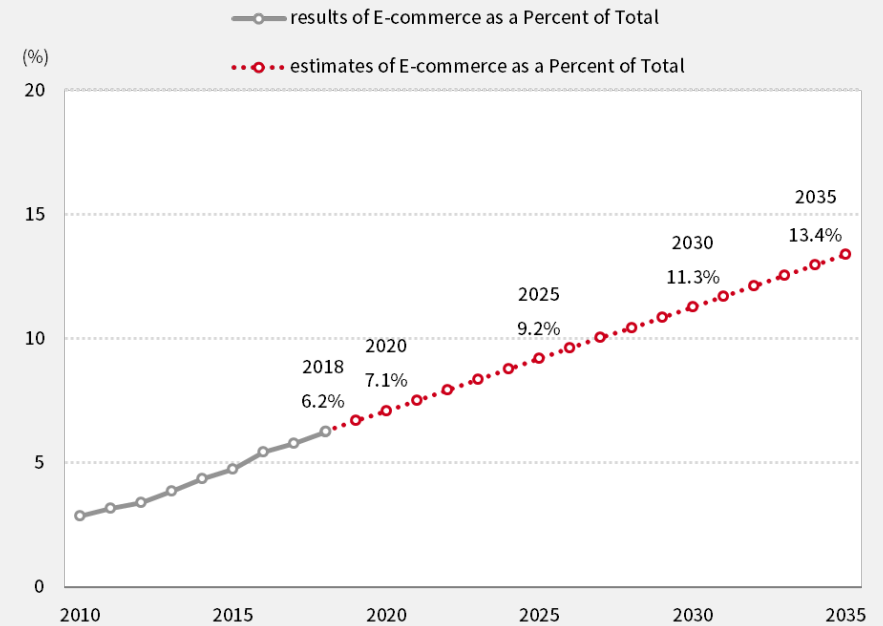
(Source) Japan: Actual figure for 2018 is from "FY2018 improvement of foundation in data-driven society in Japan (Market research on E-commerce)" announced by Ministry of Economy, Trade and Industry
 For estimate figure for 2023 is figure from "Retail sales long-term outlook" by NLI Research Institute
 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	220 billion JPY	40.8%
Consumer Appliances, Audio Visual, PC, Peripherals, etc.	1,647 billion JPY	32.3%
Book, Movie, Music	1,207 billion JPY	30.8%
Apparel, Personal accessories, etc.	1,773 billion JPY	13.0%
Cosmetics, Drug	614 billion JPY	5.8%
Car, Motorcycle, Parts, etc.	235 billion JPY	2.8%
Food, beverage, Liquor	1,692 billion JPY	2.6%
Others	304 billion JPY	0.9%
Total	9,299 billion JPY	6.2%

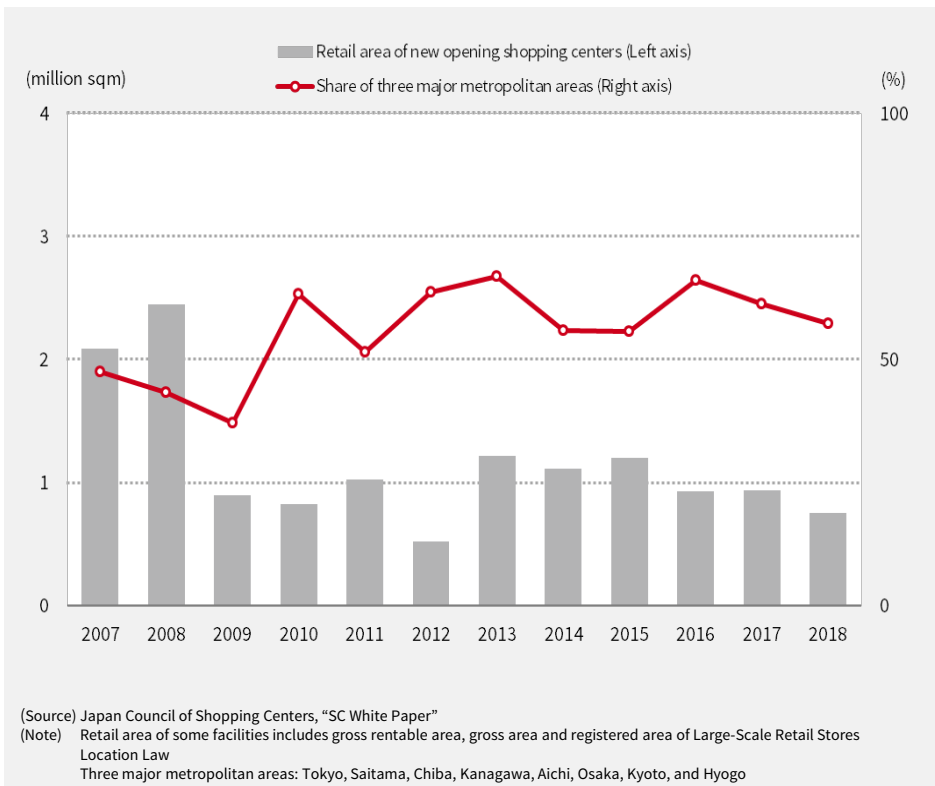
(Source) Ministry of Economy, Trade and Industry, "FY2018 Establishment of infrastructure for data driven society in Japan (Market research on e-commerce)"

Forecast of EC penetration rate in Japan

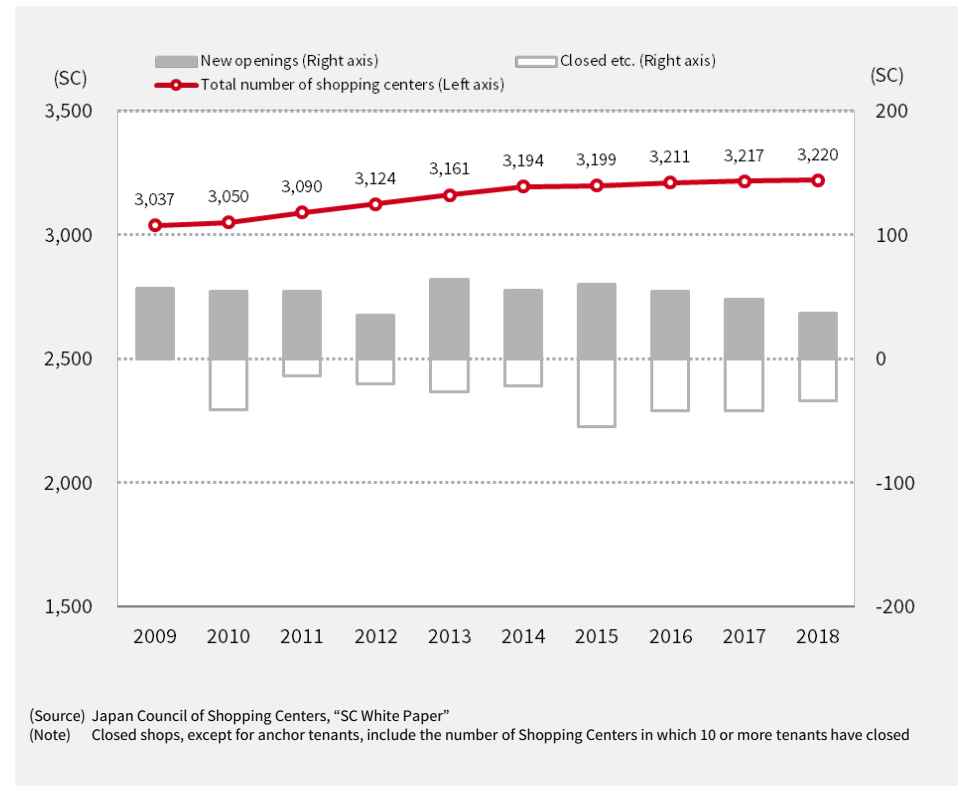


(Source) Actual figures until 2018 are figures in "FY2018 improvement of foundation in data-driven society in Japan (Market research on E-commerce)" announced by Ministry of Economy, Trade and Industry
For estimate figures for 2020 to 2035 are figures from NLI Research Institute "Retail sales long-term outlook"

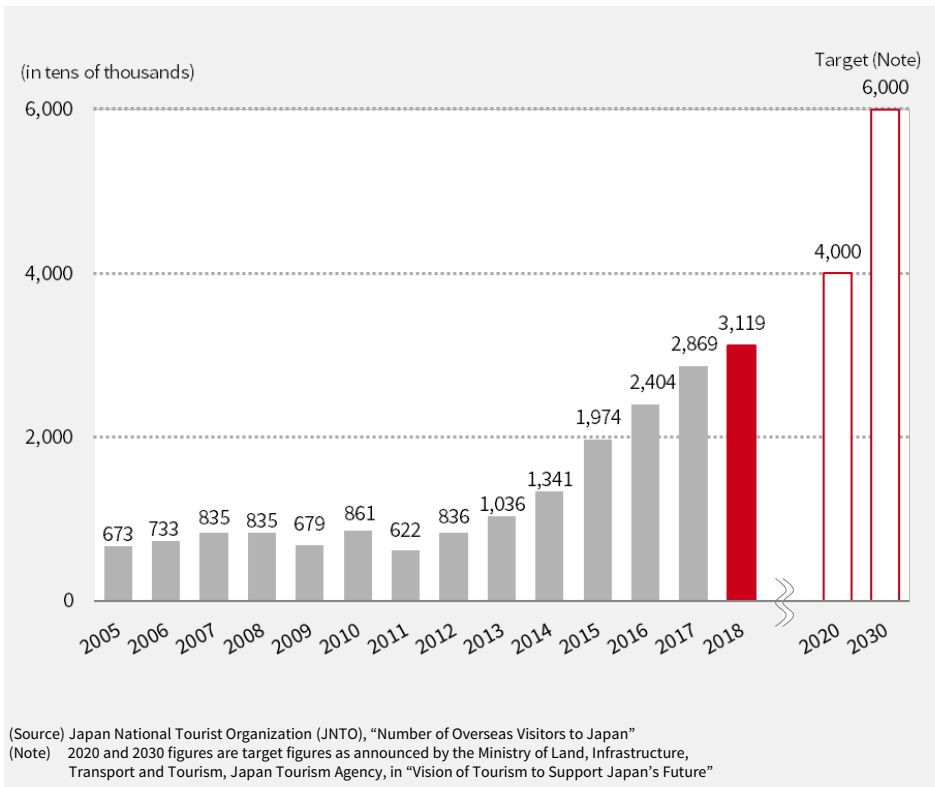
Retail area of new opening shopping centers and share of three major metropolitan areas



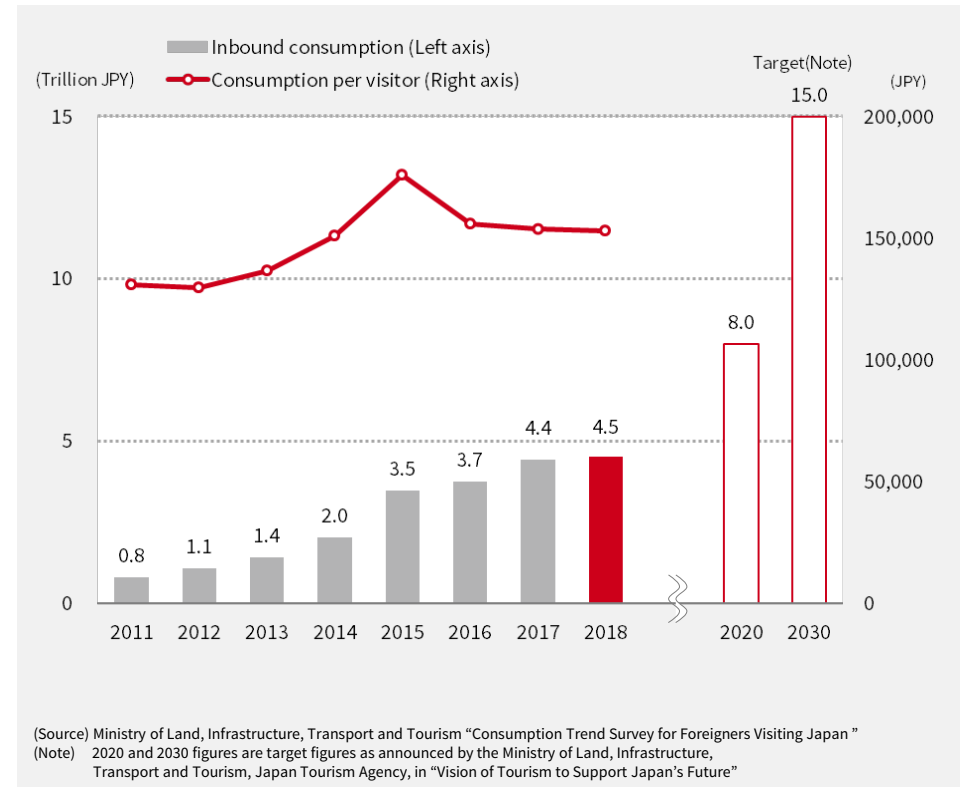
Trend of the number of shopping centers



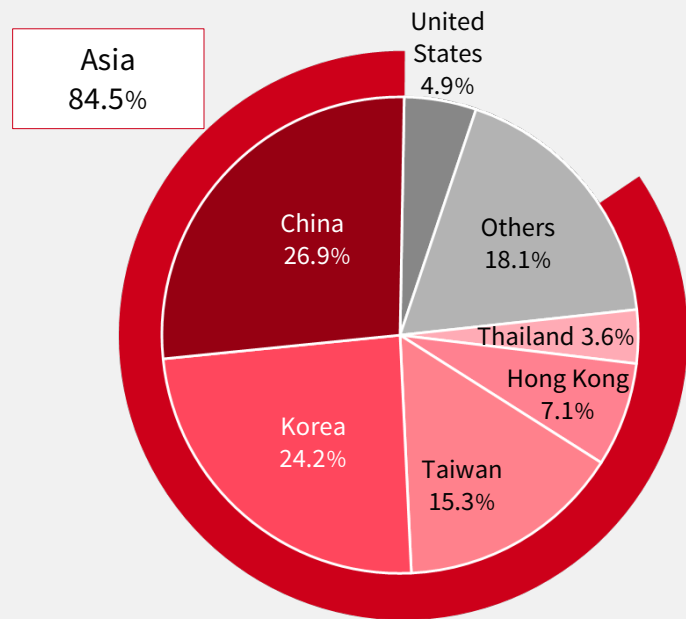
Trend of the number of inbound tourists in Japan



Trend of inbound tourists' consumption

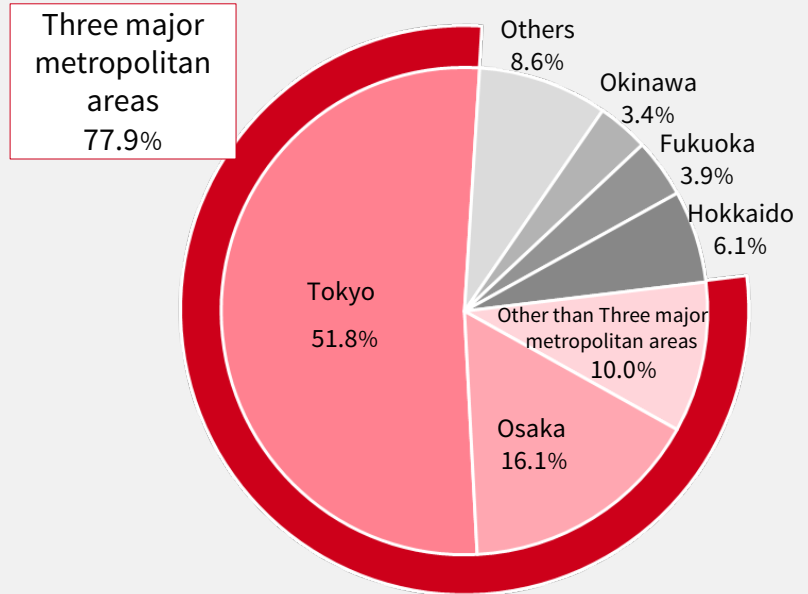


Number of foreign visitors to Japan by country



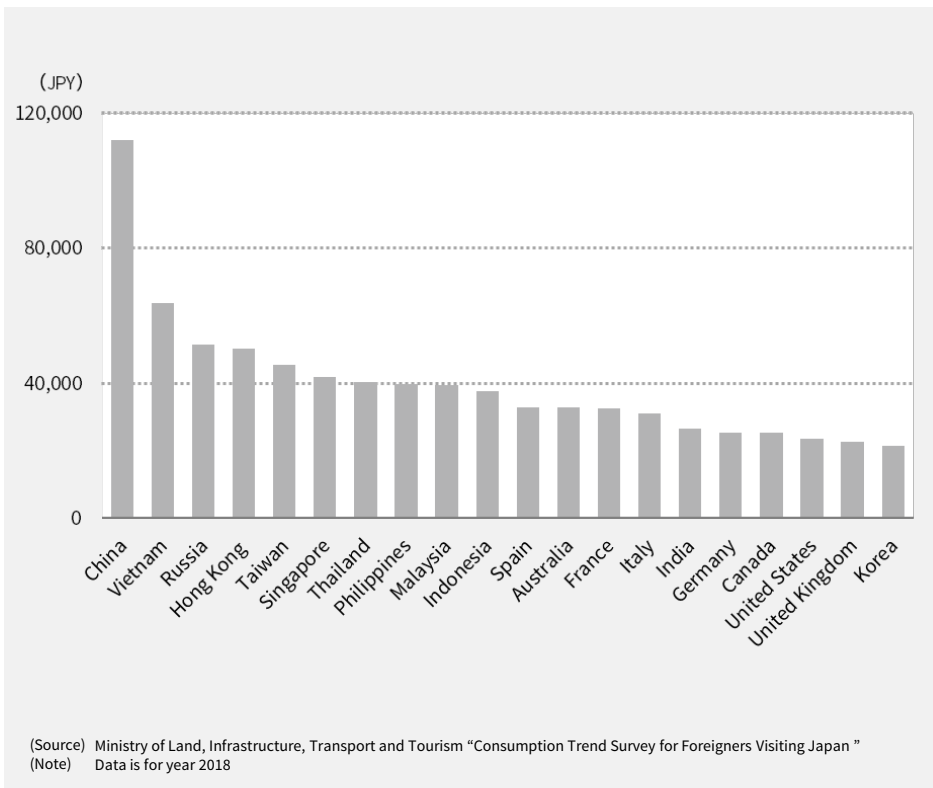
(Source) Japan National Tourism Organization (JNTO) "Trends the number of tourism in Japan"

Foreign visitors' consumption by prefecture

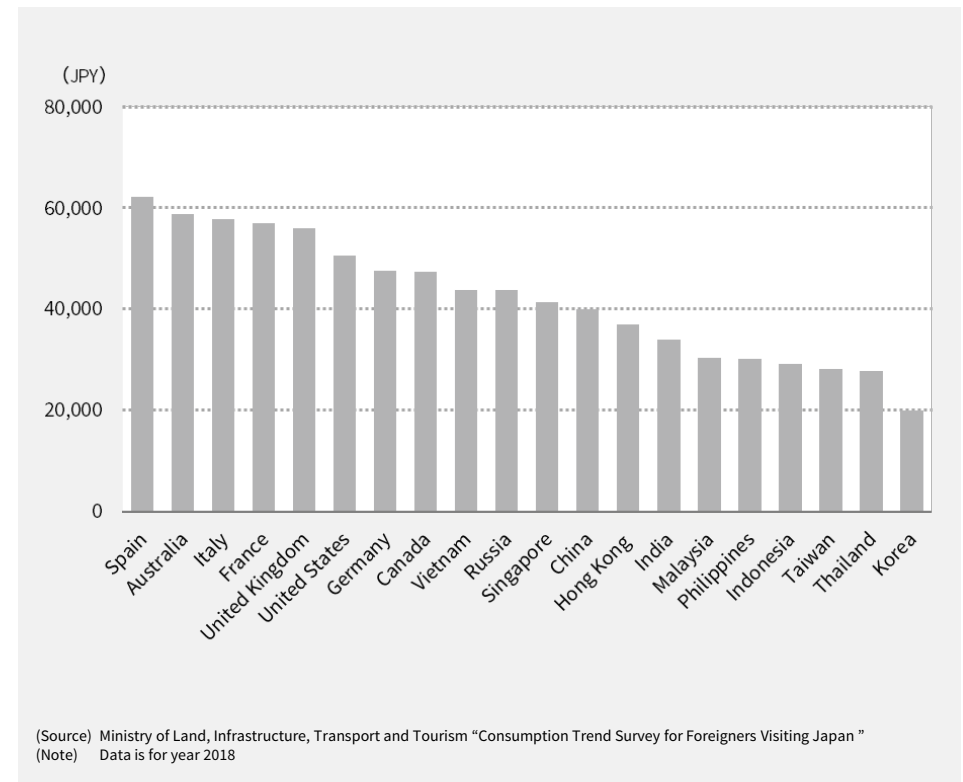


(Source) RESAS-Analysis system of local economy, VISA Worldwide Japan

Travel Consumption per person for inbound tourists (Shopping)



Travel Consumption per person for inbound tourists (Eating and drinking expenses)

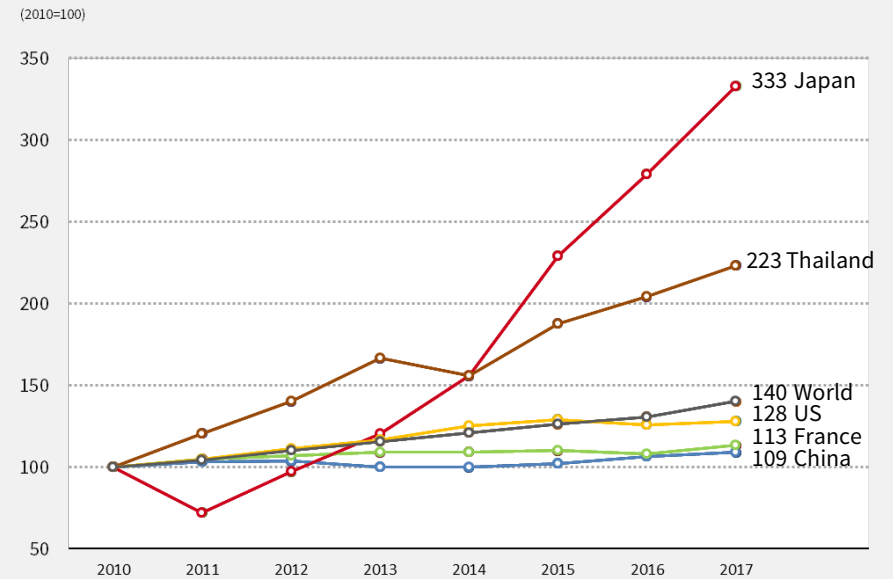


Top 20 tourist countries

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

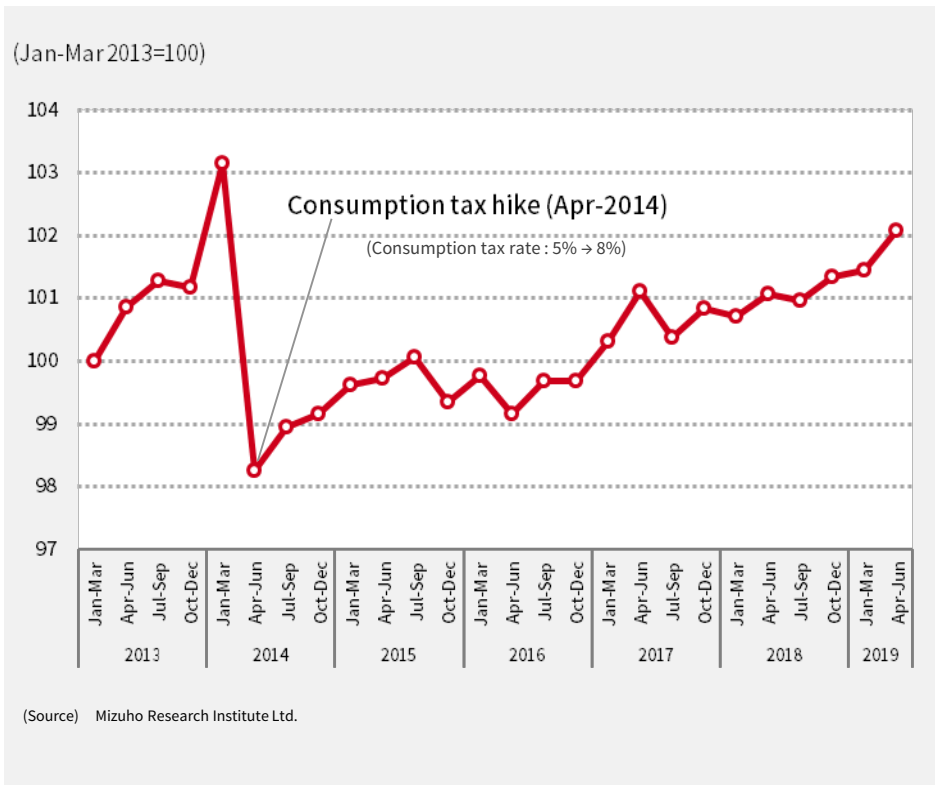
(Source) The World Bank
(Note) Data is for year 2017

Trends of the number of inbound tourists in the world

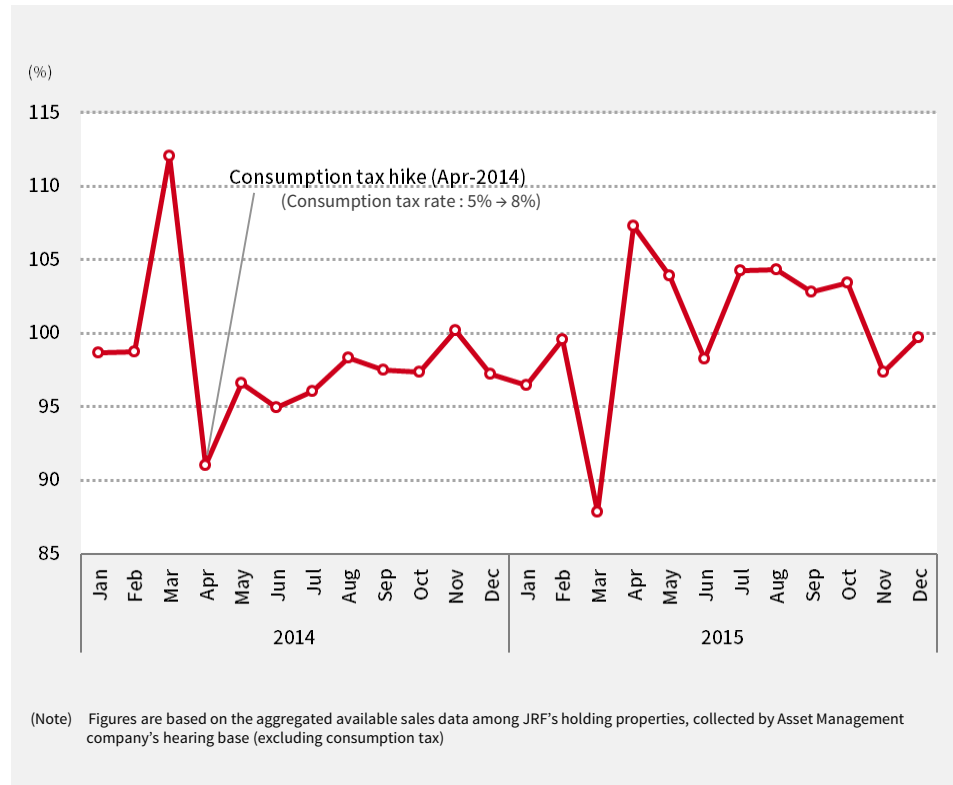


(Source) The World Bank
(Note) The number of tourist arrivals in 2010 is indexed as 100

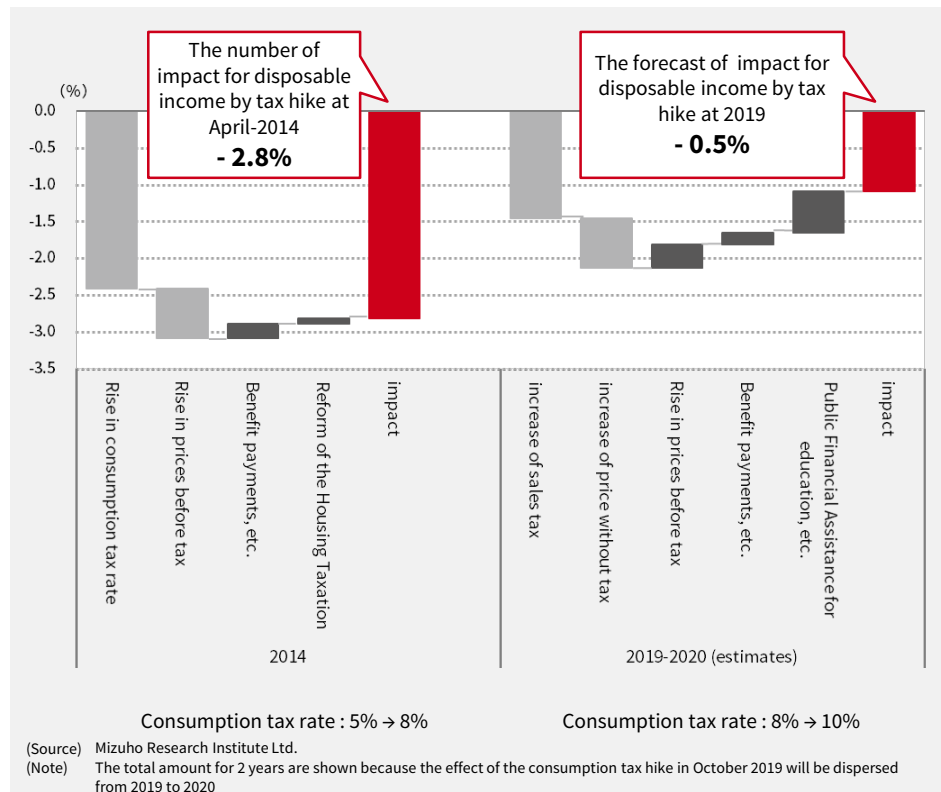
Transitions of consumer spending



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



Impact on disposable income after consumption tax hike

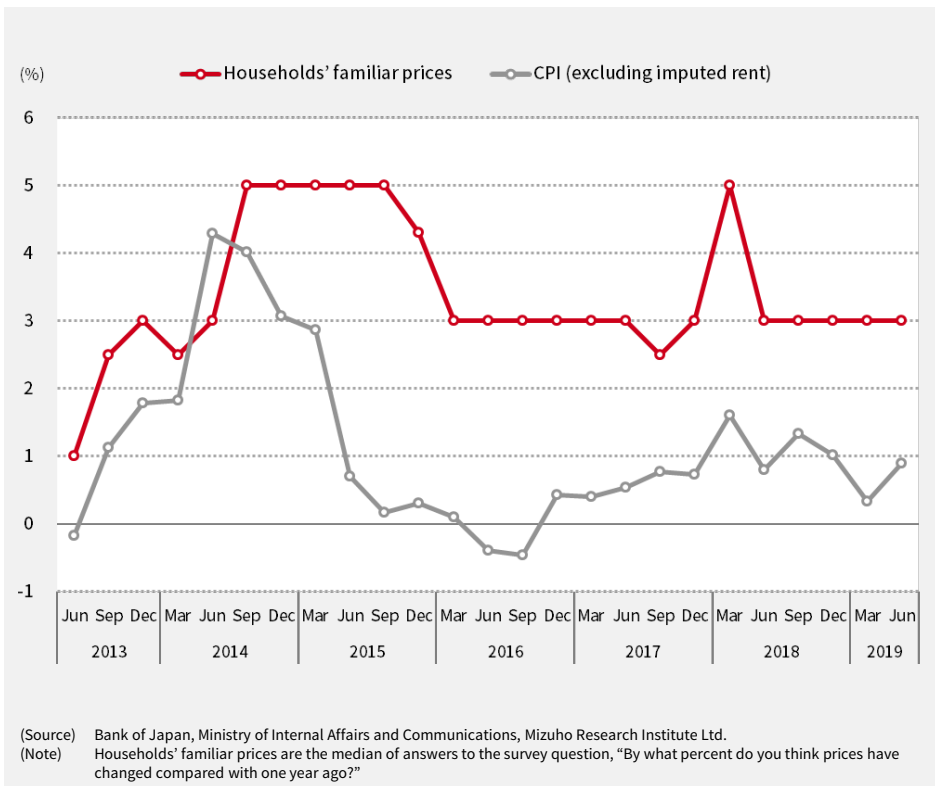


Income support after consumption tax hike year 2019

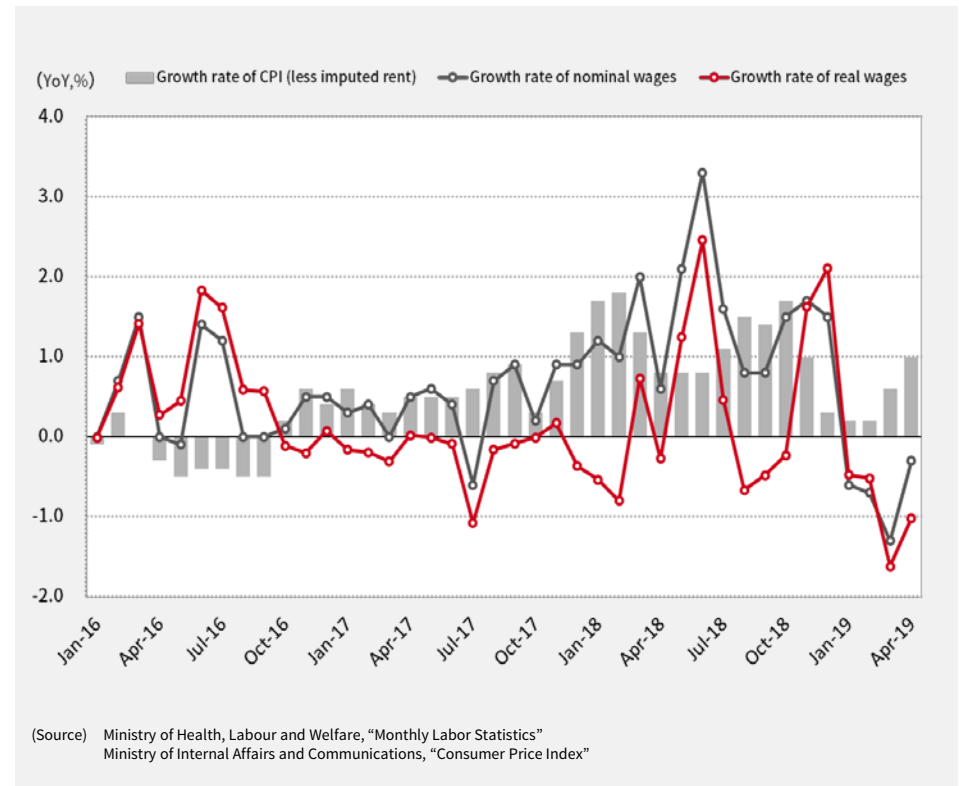
Timing of tax hike	Income support	Scale
Consumption tax hike in 2014	Benefit payments, etc.	0.6 trillion JPY
	Housing loan tax cut	0.2 trillion JPY
	Total	0.8 trillion JPY
Consumption tax hike in 2019	Reduced tax rate	1.1 trillion JPY
	Free charge for childhood and high school education Childcare support 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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