November 2017

Linking Japan

INVESTMENT INSIGHTS

Investor First

Emphasizing Expertise and Transparency, KFM Looks to the Future with Investors

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Performance and Expectations from a Top Analyst

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Publisher's Note

Japan has gone through yet another election. In this one, surprising the initial pundits, Prime Minister Shinzo Abe again won hands down. However, it wasn't a vote of confidence, but rather a disgust with the shenanigans of the opposition in relation to the election. Knowing that Tokyo Governor Yuriko Koike is more of a hawk than Abe, the intrigue related to her in my mind was a "treacherous" attempt to help maintain Abe's position in the government. Of course, the common view was that it was a power grab that she promptly abandoned when the shifting winds left her hapless in the polluted sands of Odaiba Beach in Tokyo.

Setting my inbred cynicism aside, the Japanese people made the right choice for the present times. Abe and, best bud, Bank of Japan (BOJ) Governor Haruhiko Kuroda, are working relatively well together to improve the economy and the first three arrows along with the BOJ stimuli have worked well together.

In the J-REIT market, the rush of new IPOs evident last year, slowed down significantly with a little pickup now in the latter half of the year. The slowdown was primarily due to a listing of small JREITs with little or no liquidity and an overheating real estate market that left little available at cap rates affordable to J-REITs. The latter half and this year has seen a number of exceptions, but alas some of the ill effects of the BOJ stimuli is the lack of liquidity among the large J-REITs that the BOJ has taken a large stake in.

The Kenedix Group continues to perform well in the market with its original J-REIT and two ensuing J-REITs. This can be attributed to lessons learned in the post Global Financial Crisis leading to a wiser financing policy, the creation of strong pipelines for each of its J-REITs and distinct portfolios. In particular, the independent group features a strong leadership that primarily has been with the Group since before the Crisis. This issue we provide a look into this independent leader of the J-REIT industry whose primary business is asset management.

J. Michael Owen
Chairman & CEO
Transpacific Enterprises

On the Cover
From left:

Naokatsu Uchida
Director & COO
Head of Office REIT Department
Kenedix Real Estate Fund Management, Inc.

Masahiko Tajima
President & CEO
Kenedix Real Estate Fund Management, Inc.

Akihiro Asano
Director & COO
Head of Retail REIT Department
Kenedix Real Estate Fund Management, Inc.

Keisuke Sato
Director & COO
Head of Residential REIT Department
Kenedix Real Estate Fund Management, Inc.

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Publisher
J. Michael Owen

Chief Editor
Rey Deboer

Production Director
Fumihiro Yasutake

Production Assistant
Takayuki Ogawa

Writers
Fumihiro Yasutake
Tetsuo Matsumuro
Hiroshi Torii
Clayton Planner

Translation Coordinator
Megumi Ishizuka

Photographer
Kota Ishizuka

Designers
Aya Konishi
Mahito Ozaki

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Published & Translated by
Transpacific Enterprises
Ichigo Uchikanda Building 8F
3-2-8 Uchikanda, Chiyoda-ku
Tokyo 101-0047 Japan

Inquiries
e-mail: info@linkingjapan.com
Fax: +81-3-5297-6133

J-REIT Market in 2017 & Future Outlook

Performance and Expectations from a Top Analyst

By Hiroshi Torii
Senior Analyst, Equity Research
SMBC Nikko Securities Inc.

Ranking
No. 1 in Nikkei Veritas, REITs (2017)
No. 1 in Institutional Investor, REITs (2017)

Chartered Member of the Securities Analysts Association of Japan
Certified Master of the Association for Real Estate Securitization (ARES)

Hiroshi Torii has served as Senior Analyst, Equity Research at SMBC Nikko Securities since 2010. Previously, he worked at Daiwa Institute of Research and Daiwa Securities' Capital Markets Divisions. He has been engaged in research and analysis of the J-REIT market for over 10 years. He was ranked 1st in the REIT sector of the All-Japan Research Team by Institutional Investor Magazine for six consecutive years from 2012 to 2017, and 1st in the REIT sector of the Analyst Rankings by Nikkei Veritas Magazine for two consecutive years from 2016 to 2017. He is a chartered member of the Securities Analysts Association of Japan and Certified Master of the Association for Real Estate Securitization.

Stable long-term interest rates and a healthy office market

The TSE REIT Index had a bearish year in 2017. The performance of the Index from January to September 2017 was -10.9%, underperforming TOPIX by 21.2 percentage points. TOPIX, the representative Japanese domestic stock index, has enjoyed a strong year with 10.3% growth. Factors for the decline of the TSE REIT Index are reputed to include concerns about future increases in long-term interest rates and deterioration of the office market. However, the long-term interest rates remain stable at nearly zero percent. This is due to the monetary easing policy of the Bank of Japan, which is expected to maintain this level for the time being. In addition to the office rent in the 5 central wards of Tokyo continuing to increase since January 2014, the vacancy rate was an extremely low 3.4% as of the end of August 2017. Japanese corporate demand related to needs for expanding office space is robust, contributing to a buoyant office market. Therefore, as the external environment surrounding J-REITs such as long-term interest rates and the office market remain sound, close analysis disputes that these are factors behind the decline of the TSE REIT Index.

The excess financial outflow from investment trusts was noteworthy

What factors are causing the index to weaken? The major factor for the decline of the Index since April 2017 is the supply and demand issue arising from excess financial outflow from "investment trusts specialized in J-REITs." According to data from the Japanese Investment Trusts Association, the balance of investment trusts as of the end of March 2017 reached 3.9 trillion yen, or 33% of the market capitalization of the entire J-REIT market, which was 11.9 trillion yen, as of the end of the same month. For the J-REIT market, the presence of such investment trusts is enormous. In the 5 years from 2012 to 2016, net cash inflow to such investment trusts reached 2.9 trillion yen in total, playing a large role for Japanese private investors as a useful income-gain product within the ultra-low interest rate environment.

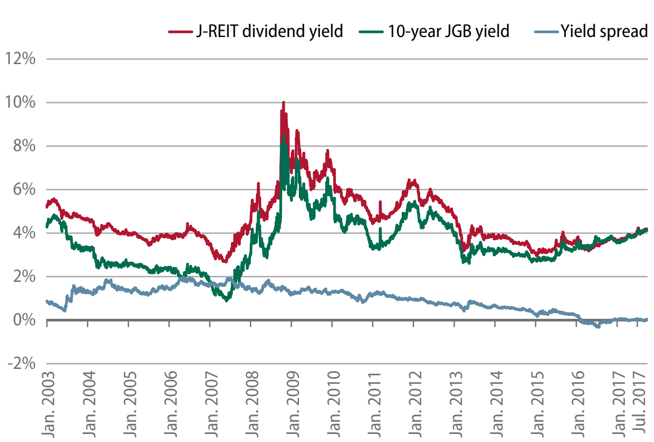
On the other hand, net cash inflow from investment trusts has turned negative since April 2017 and net capital outflow of investment trusts excluding REIT-ETFs from April to September 2017 was over 150 billion yen. Since the Financial Services Agency pointed out in April 2017 that "concerning the installment-type NISA, it is difficult to fully enjoy the benefits of

TSE REIT Index Performance

Source: Tokyo Stock Exchange, SMBC Nikko Securities

compound yields through investment funds that pay out monthly dividends and are not fit for long-term asset formation," the trend of financial outflows from investment trusts exceeding inflows was remarkable. This led to the TSE REIT Index turning bearish. Thus the problem had surfaced where investors in the J-REIT market are leaning towards such investment trusts rather than direct investment.

Distribution Yield of Entire J-REIT Market and Distribution Yield Spread against Long-term Interest Rate



Source: Bloomberg, SMBC Nikko Securities

J-REIT valuation largely undervalued

An analysis of the valuation of J-REITs reveals that the average distribution yield as of the end of September 2017 was 4.2% and the distribution yield spread showing the difference between long-term interest rates was 4.2% (same). In addition, the average NAV multiple based on appraisal values was 1.06x. Since 2004, the only period when the distribution yield spread surpassed 4% and the NAV multiple was below 1.1% was between January 2008 and January 2013. This was during the global financial crisis when the capital procurement environment and real estate market were severe and real estate prices were dropping with the global depression and the turbulence of the financial market materializing in the subprime mortgage crisis and the collapse of Lehman Brothers. At present, the fundamentals remain good and there are no concerns over a deterioration of the environment.

Therefore, this level of J-REIT valuation is largely undervalued.

One factor why the low valuation of J-REITs remains unremedied despite the good fundamentals is the "lack of acquisition of outstanding investment units and M&As." It is certainly true that such cases have been extremely rare in the J-REIT market for the past five years or so. On the other hand, analysis of overseas REIT markets indicates M&As are actively conducted and revitalize the market. For example, in the U.S. REIT market, there have been 120 billion dollars of buyouts and mergers (33 cases, based on the announcement date) from January 2015 to July 2017. In addition, Blackstone acquired Japanese real estate by acquiring Astro Japan Property Trust in the Australian REIT market and Croesus Retail Trust in the Singaporean market.

As of the end of September 2017, the number of J-REITs with NAV multiples below 1x is 32 out of a total of 59 J-REITs and these multiples are based on the appraisal values as of the end of each J-REIT's fiscal period. From this aspect, it is conceivable that buyouts and mergers will also be actively conducted in the J-REIT market. In addition, if the management of a J-REIT's asset manager considers that "the investment unit price of its J-REIT is low from the perspective of its asset value, etc." and that "it is willing to expand the J-REIT by continuing its operation without buyouts," it should proactively consider "acquiring outstanding investment units." The significance of the acquisition of outstanding investment units by J-REITs would be large if executed.

NAV Multiple of J-REIT Market

Source: Company Materials, SMBC Nikko Securities

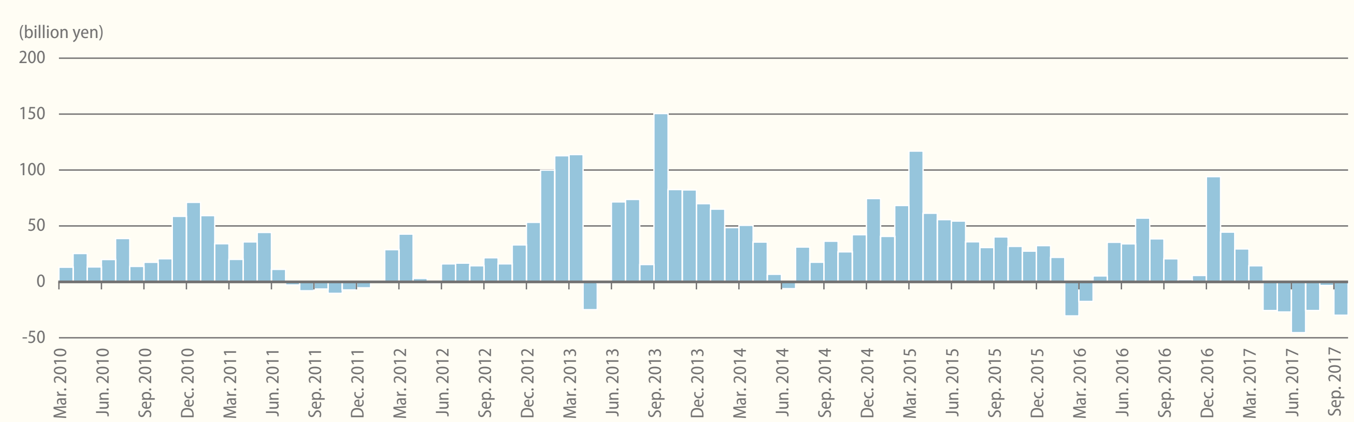
Globally active investors can be expected to enter the market

In a J-REIT market where buyouts and acquisition of outstanding investment units are actively conducted, not only investors expecting "income gains," but also investors seeking

"capital gains" will enter the market. Major investors in the current J-REIT market are investment trusts specialized in J-REITs backed by Japanese private-sector money and regional banks, and these investors probably mainly seek "income gains." On the other hand, if "capital gains" can be realized, globally active investors such as global PE funds, value-investors and hedge funds will enter the market.

If diverse investors enter the J-REIT market, movements recognizing the intrinsic value of J-REITs will become active. SMBC Nikko Securities has set the target for the TSE REIT Index as 2,000 points, and if realized, there is a good chance the TSE REIT Index will achieve this level.

Net Capital Inflow/Outflow of Investment Trusts Specialized in J-REITs (excl. REIT-ETFs)



Source: The Investment Trusts Association, Japan; Bloomberg, SMBC Nikko Securities

COVER STORY

Investor First

Emphasizing Expertise and Transparency, KFM Looks to the Future with Investors

Masahiko Tajima
President & CEO,
Kenedix Real Estate Fund Management, Inc.

Tajima was appointed President & CEO of KFM in March 2017. After joining the Kenedix Group in 2005, he was responsible for REIT financing and investor relations as Director and the Head of Financial Planning Department of KFM. He was appointed Head of Corporate Planning Department of Kenedix, Inc. in 2012 and Director & CFO in 2015. Prior to joining Kenedix, Tajima worked at the Sumitomo Mitsui Trust Bank, Limited and Sumitomo Life Insurance Company, where he gained extensive securitization experience. With over 25 years' experience in the finance, capital markets and asset management businesses, he has amassed rich experience and knowledge.

Kenedix Real Estate Fund Management, Inc. (KFM) is the asset management company of the Kenedix Group and manages REITs specializing in distinct asset classes. Led by the newly appointed president, Masahiko Tajima and the heads of the three REITs, KFM has used its strengths and unique characteristics to post strong results and target even further growth.

Committed to 'investor first' management

In October 2013, the asset management companies, which originally separately operated Kenedix Office Investment Corporation (KDO), Kenedix Residential Investment Corporation (KDR) and private funds, were integrated into KFM in a reorganization of the Kenedix Group. With the subsequent launch of the private REIT and IPO of Kenedix Retail REIT Corporation (KRR), KFM is now engaged in the asset management of four REITs (including one private REIT) with different investment policies.

Masahiko Tajima assumed the presidency in March 2017, three years after KFM was formed. After overseeing the finance function of KDO and overall IR activities in the predecessor company to KFM, Tajima was involved in formulating the long-term vision and medium-term plan as Head of the Corporate Planning Department of the parent company, Kenedix Inc. (KDX). He also served as the Director & CFO. As the President & CEO of KFM, Tajima places emphasis on expertise in asset management and transparency.

KFM manages single asset class REITs that are each operated by specific and unique strategies. For offices, KFM specializes in mid-sized offices and for retail facilities, the focus is on shopping centers for daily needs, uniquely positioned in the J-REIT sector.

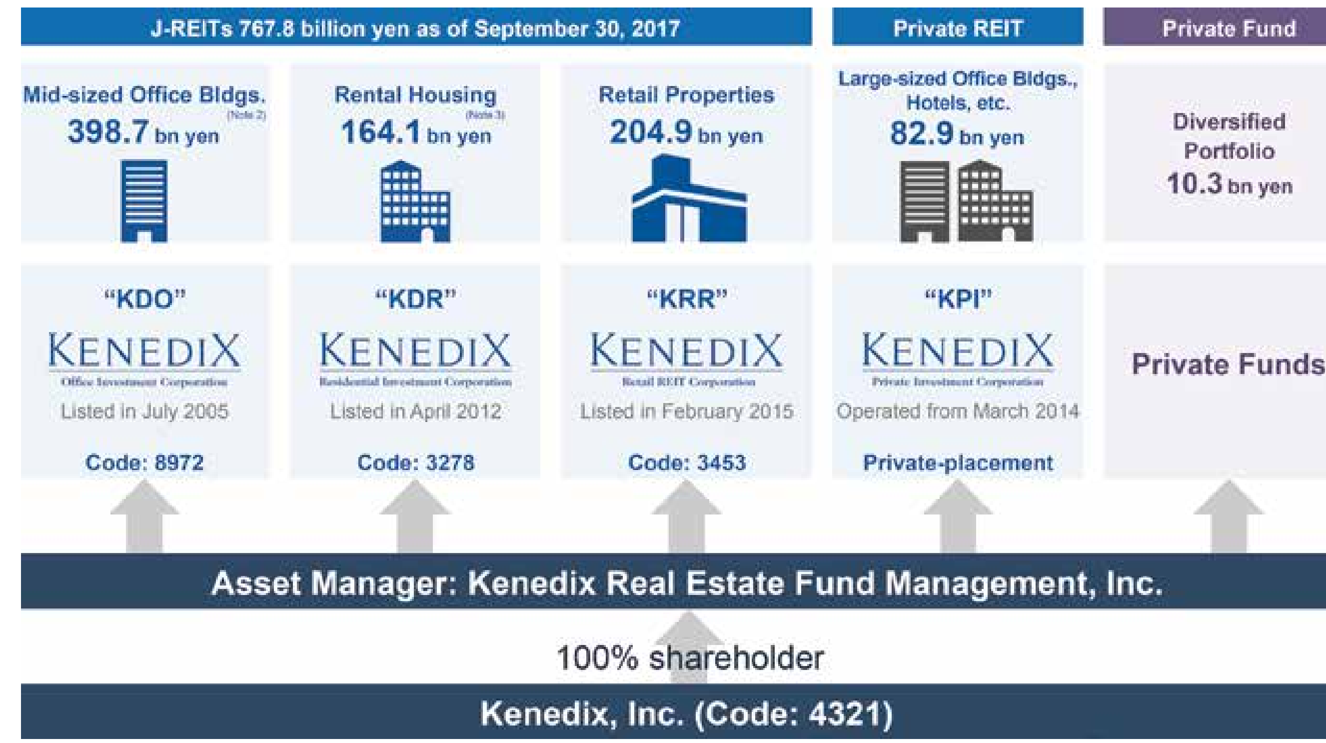
Due to the composition and operation of REITs for different asset classes, expertise for each market is enhanced, enabling investment decisions to be made according to the business environment. In the four years since the formation of KFM, the REITs managed by KFM have acquired 500 billion yen in assets while disposing 60 billion yen in assets, and the current AUM is 850 billion yen. The REITs managed by KFM own 275 properties with a total floor area of 1.7 million m² and 8,200 tenants. Each listed REIT manages very diversified and thus stable portfolios. In addition, a high level of transparency is maintained through proactive dialogue with the market, such as KFM holding over 700 IR meetings annually in Japan and overseas, a high number for a REIT management company.

Prevent conflicts of interest through effective governance

In KFM, asset acquisitions through related-party transactions are managed through a decision making process that closely adheres to the governance policies of the group such as passing the proposed acquisitions through the Compliance Committee.

KFM prohibits concurrently serving as directors of multiple REITs and establishes internal guidelines to prevent improper allocation of acquisition opportunities at pipeline committees based on information regarding properties for sale.

Overview of KFM (Note 1)



Note 1: AUM is defined as the sum of the purchase prices of real estate assets and securities such as silent partnership equity interests as of September 30, 2017.
Note 2: AUM includes residential, retail and other properties.
Note 3: Mainly focus on rental housing, KDR added accommodations such as hotels to its investment criteria.

Delivering growth via the Kenedix Model

Since its founding in 1995, the AUM of the Kenedix Group, which has a long history in the Japanese real estate market, has reached approximately 1.9 trillion yen (as of the end of September 2017), the largest for a domestic independent asset management company. In addition, Kenedix Vision 2025 has been established as the long-term management vision, with the aim of achieving AUM of 4 trillion yen, group market capitalization of 2 trillion yen (including the REITs it manages) and 15% ROE.

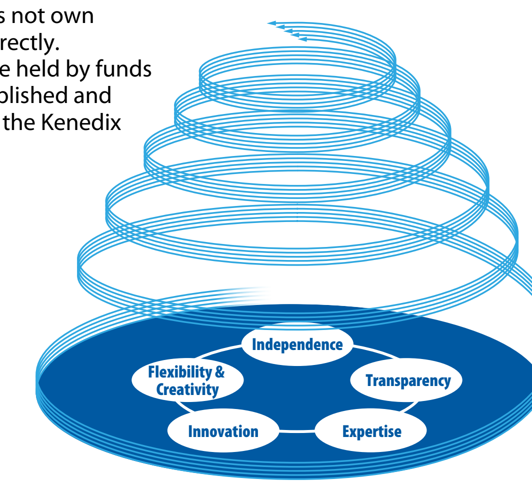
The Kenedix Group is committed to delivering growth via the Kenedix Model: Kenedix does not own real estate directly. Properties are held by funds that are established and managed by the Kenedix Group. KFM plays an active role in achieving growth under this model and as declared in the Group's mission statement "Kenedix is dedicated to realizing the full potential of real estate".

Kenedix Vision 2025
Delivering Growth via the Kenedix Model Goals for 2025

4 tn yen	2 tn yen	15%
AUM	Kenedix Group market cap (Note)	ROE

Note: The Kenedix Group market cap includes the market value of REITs where Kenedix serves as the main sponsor.

What is the Kenedix Model?
Kenedix does not own real estate directly. Properties are held by funds that are established and managed by the Kenedix Group.



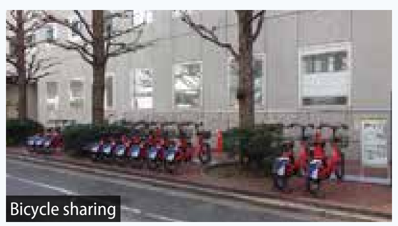
Social Contribution through Sustainability and ESG Initiatives

Sustainability activities

KFM contributes to society through investment management and creation of real estate value, undertaking sustainability-conscious investment management with each managed REIT in accordance with established environmental policies. The following are examples of such measures implemented by each REIT.

KENEDIX Office Investment Corporation

- Introduction of LED lighting for emergency lights, etc.
- Regional cooperation for bicycle sharing
- Entering into green lease agreements with tenants


Bicycle sharing

KENEDIX Residential Investment Corporation

- Transplanting seeds and seedlings indigenous to deserted village forests as part of landscaping measures
- Switching to LED lighting in common areas


Installation of planting units

KENEDIX Retail REIT Corporation

- Installation of LED lighting
- Collaboration with local communities
- Providing spaces for UNHCR's fund-raising campaign


Community concert

Certifications

The REITs participate in the GRESB Real Estate Assessment to improve sustainability performance. KDO and KRR acquired "Green Star" ratings, which are awarded to participants who diligently conduct sustainability. Furthermore, the REITs have acquired diverse green building certifications including DBJ Green Building, CASBEE and BELS for their properties. The REITs are promoting environmental and societal awareness, reduction of the environmental burden and improvement of energy saving performance through these initiatives.

GRESB: GRESB (Global Real Estate Sustainability Benchmark) is an annual benchmark assessment which measures environmental, social and governance (ESG) considerations in the real estate sector. GRESB attracts attention because leading institutional investors have joined the high-visibility assessment and used GRESB to select and dialogue with investment targets. There are many real estate companies, REITs and private funds worldwide that annually participate in the GRESB Real Estate Assessment. KFM has also joined the GRESB Company & Fund Members.

DBJ Green Building

DBJ Green Building: The Development Bank of Japan Inc. (DBJ) certifies real estate properties with high environmental and social awareness, based on five evaluation ranks.

KDO 17 properties | KDR 4 properties | KRR 14 properties

CASBEE: CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is an evaluation system that ranks buildings and structures in terms of their environmental performance.

KDO 6 properties

BELS: BELS (Building-Housing Energy-efficiency Labeling System) certification is a public evaluation system, that evaluates the energy conservation performance of buildings.

KDO 2 properties

KENEDIX Office Investment Corporation

Naokatsu Uchida
Director & COO, Head of Office REIT Department,
Kenedix Real Estate Fund Management, Inc.

Uchida joined the Kenedix Group in 2010 and assumed his current post in 2013. He previously worked at Mitsubishi UFJ Trust and Banking Corporation for 17 years where he was primarily involved in various real estate-related businesses. He is also an experienced real estate finance professional and has served as the CEO of multiple private fund management companies.

Continual growth by investing in mid-sized office buildings in the Tokyo Metropolitan Area

KDO was listed in July 2005 and mainly invests in mid-sized office buildings in the Tokyo Metropolitan Area. KDO owns 99 properties valued at an AUM of 398.7 billion yen as of the end of September 2017.

Many J-REITs invest in office buildings, but KDO has maintained its investment policy because it is possible to invest in superior mid-sized properties due to the abundance of mid-sized office buildings in the market (total floor space of 500 to 3,000 tsubos or approximately 1,700 to 10,000m² per building). Just like the benefits of the abundance of superior properties to buy, there is a large number of potential tenants and there is also the advantage that relatively stable rental income can be anticipated from a large tenant group including SMEs.

Since the new supply of mid-sized office buildings over the past 20 years has been limited compared with large-sized office buildings, the investment policy allows KDO to demonstrate its excellent capabilities through appropriate management and operation, continuous renovation of facilities, value-add strategies, etc.

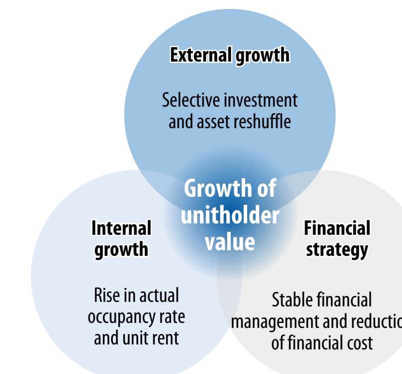
External/internal growth and financial strategy for stable distribution growth

To achieve external growth, KDO will continue to engage in selective investment and asset reshuffle, strictly observing its acquisition criteria. KDO recognizes that prices are trending at high levels and there are few opportunities to acquire properties at reasonable prices. While there is certainly not a wealth of acquisition opportunities, KDO intends to continue to engage in selective investment by employing its proprietary network and various other acquisition methods, in addition to the support line from its sponsor.

In terms of internal growth, KDO will strive to achieve growth in revenue from existing properties. In specific terms, this means continued increases in the actual occupancy rates and unit rents. KDO will also invest in effective, strategic renovations, air conditioning system upgrades, and other capital expenditures to draw out the potential earning power of its portfolio to further expand internal growth.

As for its financial strategy, KDO will continue to engage in conservative financial management and strive to reduce financial costs. KDO also intends to be responsive to property acquisition opportunities, while maintaining a conservative interest-bearing debt ratio.

Future Initiatives



Top J-REIT in mid-sized office buildings

The large supply of office buildings expected in 2018 will consist mainly of large-sized office buildings. Presently no impact is expected from the mass supply nor signs of deterioration in the operating environment of the mid-sized office buildings targeted by KDO.

KDO will continue to aim to improve unitholder value by increasing the distribution and net asset value per unit and pursuing growth as the top J-REIT in mid-sized office buildings.


KDX Toranomon 1chome Building


KDX Ginza 1chome Building

KENEDIX Residential Investment Corporation

Keisuke Sato
Director & COO, Head of Residential REIT Department,
Kenedix Real Estate Fund Management, Inc.

Sato joined the Kenedix Group in 2011 and contributed to the growth of KDO as head of investment by acquiring more than 140 billion yen in properties. In March 2016, he moved to the Residential REIT Department of KFM, which he now leads. With a real estate finance career spanning more than two decades, Sato has extensive knowledge of real estate investments, non-recourse loans, asset management and many other activities.

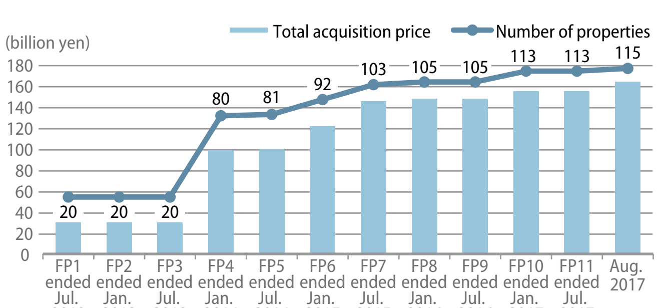
Focus on potential profitability of land

KDR invests primarily in rental housing and was listed in April 2012. It conducted the first J-REIT IPO in about four-and-a-half-years in the J-REIT market, which had not had an IPO after the global financial crisis.

KDR focuses on the potential profitability of the land (the ability of land to attract people) and invests in rental housing whose residential units match the characteristics of the land. In other words, the single type units are carefully considered focusing on features such as transport access and security, while family type units are selected focusing on the presence of a relaxing living environment and a suitable layout for family structures. Since listing, a portfolio consisting of 115 properties with an AUM of 164.1 billion yen as of September 2017 has been built. The breakdown of unit types based on acquisition price was 39.8% for single type, 40.6% for small family type and 19.6% for family type.

KDR seeks to maintain and improve asset value by maximizing NOI through efficient property management. The occupancy rate has been maintained at 95% on average over the last four years and monthly rents for new contracts have risen for three consecutive periods, resulting in increased rental income.

Asset Growth(Note)



Note: Acquisition price is the price before tax, excluding acquisition expenses.

Growth via warehousing and a strong pipeline

KDR has dramatically increased external growth by creating multiple pipelines, with opportunities for continuous property acquisitions and flexible acquisition methods. Through this external growth, KDR's AUM has already grown by 5.4 times since listing. There are ample opportunities to acquire properties going forward such as four properties valued at 14.4 billion yen (based on appraisal value) in a bridge fund using KDX's warehousing function and other pipelines through KFM's unique network such as KDX Toyosu Residence acquired in August 2017, which is KDR's largest property.

Properties Operated by Bridge Funds

KDX Residence Shukugawa Hills

KDX Residence Hiyoshi

KDX Residence Asagaya

Serenite Kobe Motomachi

While keeping rental housing as the main investment target the investment policy was amended to add accommodations (hotels, etc.) as an investment target in March 2017. KDR aims to further improve unitholder value by increasing AUM and enhancing liquidity through the expansion of opportunities for property acquisitions. In relation to this, the size of projects KDX is already engaged in the development of accommodations (hotels, etc.) reached around 50 billion yen. In addition, Keisuke Sato was newly appointed as COO to manage KDR in line with the change in investment policy.

KDR is targeting an AUM of 200 billion yen in the next two to three years and to realize stable distributions with an annual increase of 2% in DPU (distribution per unit).

KDX Residence Toyosu

KENEDIX Retail REIT Corporation

Akihiro Asano
Director & COO, Head of Retail REIT Department,
Kenedix Real Estate Fund Management, Inc.

Asano has been involved with acquisitions since joining the Kenedix Group in 2004. His experience covers retail, logistics, office, residential and other property classes. He particularly focused on coordinating the development of retail and logistics properties for subsequent sale to REITs. His experience investing in retail properties is especially wide and spans more than 15 years. Prior to joining the Kenedix Group, he helped launch Mitsubishi Corp.-UBS Realty Inc. and was involved in the IPO of Japan Retail Fund Investment Corporation at Mitsubishi Corporation.

Unique focus on investment in shopping centers for daily needs

KRR was listed in February 2015 and primarily invests in retail facilities. In the two years since listing, KRR has steadily increased its portfolio to 51 properties as of September 2017, and the AUM has grown to 204.9 billion yen, more than double the listing value.

There are only four J-REITs that focus on retail facilities, and KRR is also unique in that it focuses investment on shopping centers for daily needs, for which the need is increasing in Japan because of changes in personal shopping behavior due to demographics and diversification of consumer preferences. Lifestyle-based retail facilities such as neighborhood shopping centers, which consist of grocery supermarkets and specialty stores, have trade areas of about 3km to 5km and a high frequency of consumer visits on both weekdays and weekends.

While the share of general merchandise stores (GMSs) in the retail industry is declining, supermarkets and specialty stores that have adapted to the diversification of consumer needs are on the rise. In addition, due to further population concentration in the metropolitan areas and aging population in Japan, the retail trade area is shrinking, and retail facilities targeting consumer convenience are increasingly supported by the consumers living nearby.

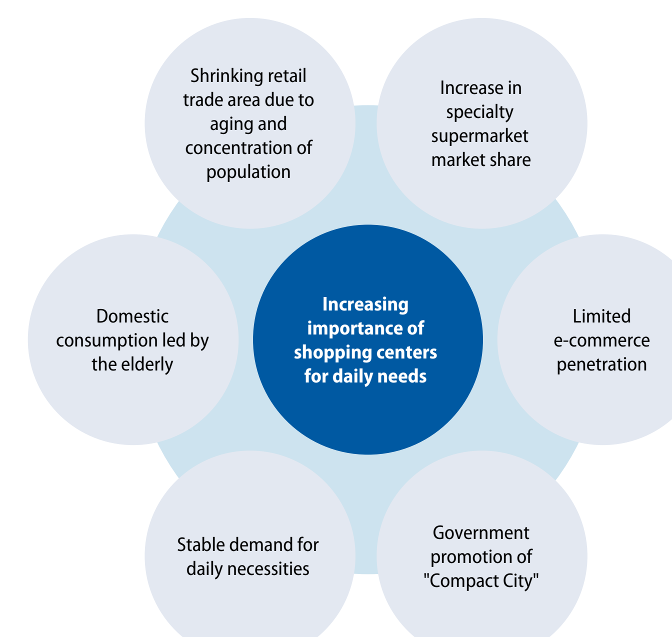
Although some may worry that sales in physical retail facilities may slump with the development of e-commerce, consumers in Japan prefer buying at physical stores and sales at grocery supermarkets dealing with daily necessities are steady. In addition, specialty stores focusing on services, rather than goods, such as cram schools, beauty salons, clinics, etc., which cannot be provided on the internet, are playing more important roles in retail facilities.

Unicus Ina

Pursue growth with strong pipelines and maximizing revenues

As well as receiving wide-ranging support from KDX, KRR is also supported by four alliance companies. Such support, which is not seen at most J-REITs, has resulted in strong external growth. In addition, KFM, which is KRR's asset manager, proactively manages the properties to accurately understand building conditions and cooperates with tenants to realize high quality building management. For example, KFM succeeded in attracting visitors at Unicus Ina by constructing a new restaurant building on the premises, also realizing an increase in the NOI of the property. With these measures, KRR aims to achieve further growth in AUM and unitholder value.

Conforming to Changes in the Macroeconomic Environment for Retail Properties in Japan



J-REIT à la Carte et al

Menu of Asset Classes and Infrastructure Funds

There are currently 59 J-REITs listed on the J-REIT market that was established in September 2001. In line with the expansion of the market size, the investment choices have expanded to include increasingly diverse asset classes.
This issue of Linking Japan features three J-REITs investing in different asset classes (office, residential and retail facilities) managed by Kenedix Real Estate Fund Management, Inc., but here, we would like to look into J-REITs managing other asset classes and their characteristics.

Hotels — Lineup of diverse in-class strategies

The number of inbound foreign travelers, which reached 19.73 million in 2015 (a year-on-year increase of 47.1%), achieved a record high in 2016 with 24.03 million (year-on-year increase of 21.8%) and is predicted to increase further in 2017. Supported by such inbound demand, hotel demand is increasing, but with new supply exceeding demand, average daily rates of hotels in some regions have leveled off or have decreased since mid-2016.

With regard to external growth in such an environment, selective investment is crucial to capture demand from domestic leisure customers, inbound foreign leisure customers as well as domestic and inbound business customers. Therefore, properties in which hotel J-REITs typically invest can cover a wide range from Japanese-style inns to international-brand hotels constructed utilizing the development capabilities of the sponsors, and the grade of such properties also vary from budget to luxury.

However, influenced by the yield drop of other asset classes, the increase of new hotel funds and other factors, competition for the acquisition of hotels has recently become more severe.

A system for "minpaku" (Japanese Airbnb) based on a new law will also commence next year. With the inflow of facilities originally used as condominiums, there are concerns that this will reinforce the sluggish growth in average daily rates.

Compared to J-REITs investing in other asset classes, hotel J-REITs must adequately monitor operational conditions of facilities as well as conduct internal growth through adequate capital expenditures to maintain and enhance asset value.

For that reason, hotel J-REITs are achieving both stability and upside potential at the same time by not just adopting fixed-rate rents, but also by adopting variable rents linked to sales or gross operating profit (GOP) of hotels, depending on the property.

Some are also enhancing investor satisfaction and broadening the investor base through unique initiatives such as distributing accommodation coupons for the properties held as unitholder benefits.

Logistics Facilities — J-REITs most reliant on the value chain of sponsors

Many logistics J-REITs are sponsored by foreign companies with a rich track record of developing logistics facilities and fund management in Japan and overseas.

Therefore, there are J-REITs that strongly reflect the practices of foreign fund management such as the sponsor holding a high percentage of investment units (same-boat investment) and linking asset management fees paid to asset managers with the J-REIT's operating performance.

Among all asset classes, logistics J-REITs might have the strongest support structure from the sponsor from development to management and operation. As there is an increased requirement for outsourced logistics by companies in an aim to streamline their logistics structures and reduce costs, there is continued demand for large-scale, well-situated, high-quality logistics facilities rather than conventional facilities. Therefore, there are higher expectations on sponsor pipelines compared to J-REITs investing in other asset classes.

With tenant security and high satisfaction provided by the sponsor brands by ensuring the J-REIT's investment criteria comply with the sponsor's standards to some extent, occupancy rates of properties for logistics J-REITs are likely to remain stable for the foreseeable future.

In addition, customizing properties for specific tenants from the development stage, or build-to-suit, will lead to stable cash-flows in the medium to long term. Also, the five to ten year lease terms are relatively long compared to other asset classes.

The change in consumer attitude due to use of the internet and mail-order services has caused the e-commerce market to steadily grow and the movement of consumer goods through e-commerce is expected to remain stable or grow in the future.

On the other hand, there has been a noticeable trend in tenants vacating properties with an unfavorable location or low level specifications.

Unlike commercial sites in central Tokyo, logistics facilities have a high acquisition price to building price ratio compared to the ratio of acquisition price to land price, making the ratio of depreciation expenses relatively high. On the other hand, many logistics J-REITs continuously provide distributions exceeding revenues by utilizing the characteristics that actual capital expenditures are less than the amount allocated as depreciation expenses and that the amount of capital expenditure can be accurately estimated.

J-REIT Overview (Hotels)

(as of the end of October 2017)

	Japan Hotel REIT Investment Corporation	Hoshino Resorts REIT, Inc.	Ichigo Hotel REIT Investment Corporation	MORI TRUST Hotel Reit, Inc.
Major sponsor	SC CAPITAL PARTNERS Group	Hoshino Resorts Group	Ichigo Inc.	MORI TRUST Group
No. of properties	44	49	21	4
No. of guest rooms (Note)	11,486	5,934	3,347	1,306
Total acquisition price	319.4 billion yen	113.4 billion yen	50.9 billion yen	102.0 billion yen

Source: Websites of each investment corporation
Note: When a property is jointly held, the number of guest rooms for the entire building is indicated.

J-REIT Overview (Logistics Facilities)

(as of the end of October 2017)

	Japan Logistics Fund, Inc.	GLP J-REIT	Nippon Prologis REIT, Inc.	LaSalle LOGIPORT REIT	Mitsui Fudosan Logistics Park Inc.	Mitsubishi Estate Logistics REIT Investment Corporation
Major sponsor	Mitsui & Co., Ltd.	Global Logistic Properties Inc.	K.K. Prologis	LaSalle Investment Management K.K.	Mitsui Fudosan Co., Ltd.	Mitsubishi Estate Co., Ltd.
No. of properties	45	62	37	9	10	8
Total floor area (Note)	1,255,410m²	2,153,199m²	2,443,801m²	986,760m²	628,767m²	514,800m²
Total acquisition price	267.9 billion yen	442.5 billion yen	516.7 billion yen	173.4 billion yen	78.7 billion yen	70.8 billion yen

Source: Websites of each investment corporation
Note: Depending on the J-REIT, this figure is the total floor area or total leasable area. In addition, when a property is jointly held, this figure corresponds to the co-ownership ratio for the entire building.

Additionally, supported by the development track records of the sponsors, there are J-REITs that execute aggressive internal growth strategies by redeveloping properties with unused floor space and properties with small loss on retirement of non-current assets due to the number of years that have passed since construction.

Healthcare — Most universally required social infrastructure

Healthcare J-REITs realize stable cashflows by concluding long-term fixed-rent lease agreements with operators. Furthermore, most of the assets are properties originally held by the operators and acquired through sale-and-leaseback. In addition, some J-REITs include medical facilities other than living facilities for the elderly (healthcare facilities) in their investment targets, but as for medical facilities, acquisitions utilizing the warehousing function of the sponsors have only recently started to be used.

As Japanese society continues to age, healthcare facilities will cement their place as a needed social infrastructure. However, the ratio of supplied fee-based homes for the elderly to the population of the elderly was only 1.3% in 2015. Clearly there is a huge lack of supply.

However, since sales activities through sale-and-leaseback of properties currently owned by the operators have more or less been completed, the J-REITs are struggling to expand their asset size as new property sales are extremely scarce in the current market. Therefore, the largest problem for all three J-REITs currently listed is that their asset size is too small to be investment targets for institutional investors.

All healthcare J-REITs have introduced unitholder benefits utilizing the characteristics of the facilities, which are unique initiatives though in some ways similar to those of hotel J-REITs.

On the other hand, from the perspective of social importance, unforeseen circumstances for users of the facilities when operators face difficulties continuing their business must be avoided. For such occasions, one of the J-REITs takes measures to agree with all the operators of their own properties in advance to support the operation of other facilities if the lease agreement with an operator of other owned facilities terminates for some reason. This operational support is a characteristic not seen in J-REITs investing in other asset classes.

Classification of Healthcare Facilities based on Services Provided

Fee-based homes for the elderly
Facilities providing nursing care, meals, laundry, cleaning, other household care and healthcare management services (excludes welfare facilities for the elderly, group homes, etc.)
Elderly housing with supportive services
Rental housing in which the facilities and specifications are built with consideration for the elderly and that at a minimum provide safety confirmation and lifestyle consultation services (for nursing care, external home care services, etc.)
Other nursing homes and housing for the elderly
Nursing and welfare facilities for the elderly (intensive care homes for the elderly) and long-term care health facilities (nursing and healthcare facilities for the elderly)

Infrastructure Facilities — What will follow solar power?

Many infrastructure funds investing in electricity, gas, roads, airports, water supply and sewerage systems and other highly social facilities are listed in foreign countries. In addition, with the social necessity of such facilities, infrastructure funds have already become established investment vehicles. The funds in Japan do not invest in as wide a range of facilities as those in other countries, but an infrastructure fund market was established in Japan on the Tokyo Stock Exchange in April 2015 and the first fund was listed in June 2016.

To be precise, the infrastructure fund market on the Tokyo Stock Exchange differs from the J-REIT market, but there are many similarities. The structures in which external asset managers are used as well as the virtual exemption of corporate tax subject to cash distributions of over 90% of the investable revenues to investors are just like J-REITs.

On the other hand, there are differences. One is that the disclosure of selection standards of infrastructure facility operators is set as one the conditions for listing. If the same applied to J-REITs investing in office buildings for example, it would be equal to requiring even stricter disclosure of information on tenants leasing the J-REIT's own buildings. Another is that infrastructure funds can also invest in concessions of public facilities. Infrastructure funds are able to invest in shares, etc. of companies that own infrastructure assets through concession investments. However, the four infrastructure funds currently listed on the market all invest in renewable energy facilities centering on solar power generation facilities. Currently, they do not invest in as wide a variety of facilities as in foreign countries, but expansion of investment targets including concessions is anticipated in the future.

As a method of resolving energy issues stemming from the need to reduce the high dependence on nuclear power generation triggered by the Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Plant incidents initiated by the Great East Japan Earthquake in 2011, expectations increased on the spread and expansion of solar power generation. This has led to the country committing to buy electric power generated from solar power generation for 20 years, and from the perspective of the sense of reliability or stability that this gives, solar power rapidly attracted attention for investment. Considering its configuration, in the Japanese archipelago where daily weather and daylight hours differs from place to place, diversified investment throughout the country will be more important than investments by J-REITs. The amount of solar radiation has been compiled from past weather data to some extent and solar power generation is characteristically less affected by the economy and real estate market conditions, and with the fixed-rate purchase system, it can be said to be an investment target where long-term cash distribution can be easily forecast.

In addition, since many of the solar power generation facilities are located in mountainous areas, an extremely low ratio of land price to investment amount is also one of the characteristics. Therefore, there are cases where in addition to the distributable income of each fiscal period, internal reserves corresponding to the large depreciation expenses are being distributed. The relatively high distribution yield is also an attractive feature.

On the other hand, the purchase price of electric power under the fixed-rate purchase system, which started in July 2012, is reviewed every year with the technological innovation and lower construction cost due to market competition, and so revenues seem to have peaked.

J-REIT Overview (Healthcare)

(as of the end of October 2017)

	Nippon Healthcare Investment Corporation	Healthcare & Medical Investment Corporation	Japan Senior Living Investment Corporation
Major sponsor	Daiwa Securities Group Inc.	Sumitomo Mitsui Banking Corporation	Kenedix, Inc.
No. of properties	22	24	14
No. of rooms	1,598	2,139	1,642
Total acquisition price	19.3 billion yen	38.4 billion yen	27.9 billion yen

Source: Websites of each investment corporation

Infrastructure Fund Overview

(as of the end of October 2017)

	Takara Leben Infrastructure Fund, Inc.	Ichigo Green Infrastructure Investment Corporation	Renewable Japan Energy Infrastructure Fund, Inc.	Canadian Solar Infrastructure Fund, Inc.
Sponsor	Takara Leben Co., Ltd.	Ichigo Inc.	Renewable Japan Co., Ltd.	Canadian Solar Projects K.K.
No. of facilities	18	15	8	13
Total Output	50.023MW	29.430MW	21.766MW	72.704MW

Source: Websites of each investment corporation

State of the Economy

Current Recovery Prognosis and Outlook for Japan's Economy

Tetsuo Matsumuro

Former Editor-in-Chief of Diamond Weekly business magazine

At the time of writing this article in October 2017, the general election has not yet been held and some changes are inevitable if there is a change in administration, but let's look at the outlook of the Japanese economy in 2018 based on the assumption that the policies of the current administration will broadly continue.

Many are questioning whether the Japanese economy is on the rise. Aside from popular sentiment, the answer is clear when looking at economic indicators. The real GDP growth rate in fiscal 2017 is, according to figures from various think tanks, around 1.5% and is expected to remain positive for the next three years. Even though growth is expected to slowdown in fiscal 2018, it is currently projected at 1.0% to 1.2%. From this point of view, the economy is recovering and things are getting better.

This trend is supported by factors including the development and construction of infrastructure such as railways, airports and communications in preparation for the 2020 Olympic Games in Tokyo, and the development of hotels, office buildings, logistics facilities and such, in which the supply and demand balance is tight as well as redevelopment projects in the Tokyo Metropolitan Area. Internal reserves of companies are also relatively healthy, leading to active development and capital investment in system restructuring with new technologies such as next-generation-ready products and services represented by AI and IoT, as well as labor-saving systems to solve the labor shortage issue. Coupled with favorable exports backed by the weakening yen, these factors are also supporting the economy.

Even in personal consumption directly connected with popular sentiment, such a phenomenon has been observed since the start of 2017. Aside from whether or not the standard of living is getting better, the unemployment rate has dropped to around 2%, and household income and personal consumption are on the rise. This trend will be more significant in 2018. Ten years have passed since the global financial crisis and as it is time to replace cars, home appliances and other consumer durables bought through previous demand-creating measures of the government such as tax reductions, subsidies for environmentally-friendly cars and the eco-point systems for home appliances. Thus, consumption is expected to increase. In addition, it is predicted that last-minute demand related to the scheduled consumption tax rate increase to 10% will occur in October 2019, centering around houses and other large-scale consumption. This will happen around the end of fiscal 2018.

It seems that 2018 is a promising year for the Japanese economy from the abovementioned perspective, but it does not mean that there is no cause for concern.

First, surveying the global economy, there are many causes for concern. Above all, extremely unstable and tense geopolitical risks such as the North Korea situation could drastically change matters. The instability of the Trump administration in the U.S. as well as the slowdown of the Chinese economy are also discouraging factors. If such issues exacerbate, it could confuse financial markets and decelerate the global economy.

The current global economy seemingly holds promise, but what supports this in the background are the monetary easing measures implemented around the world, resulting in excess money supply. The U.S. is withdrawing from monetary easing measures relatively steadily, but no other country has yet reached this stage.

What will happen when these monetary measures end? In Japan, the Bank of Japan had been purchasing an exorbitant amount of government bonds. When the monetary easing measures end, interest rates will rise and inversely the price of government bonds will drop. At the Committee on Financial Affairs, held by the House of Representatives this May, the Bank of Japan Governor Kuroda said that "if the long-term interest rate increases by 1%, there would be around 23 trillion yen of valuation loss on government bonds held by the Bank of Japan." This is of course if the government bonds held are sold. If they are not sold, it would only be an unrealized loss. It only requires a proper exit strategy, but a risk is a risk.

There are also industrial sectors where demand is dropping rapidly. For instance, the number of housing starts has trended upward in the past several years, but according to the predictions of the Nomura Research Institute, the number of housing starts is expected to drop significantly in the future from 970,000 units in fiscal 2016 to 740,000 units in fiscal 2020 and 660,000 units in fiscal 2025. Already, the stock of condominiums in the Tokyo Metropolitan Area is growing. Of course, as stated above, last-minute demand is predicted before the consumption tax rate increase, but even that rate of increase will be small at 2%, and the overall trend will remain to be a slowdown. In other words, the conclusion is that rather than short-term risk factors, there is the risk of an economic downturn over the medium to long term after 2019.

Commonly, the economy is said to worsen when the Olympic Games end, with signs of such actually appearing a year before. For Japan, that will be 2019 which is also the year of the consumption tax rate increase—placing great importance on governmental leadership. Given this, there are probably many economists who believe there is a strong possibility that the economic upturn will peak in 2018.

Dashboard on Japanese Economy

November 2017

Linking Japan provides regular updates of major Japanese economic indices. Our hope is that this information will adequately convey an overview of Japanese economic trends to our readers. In order to refine and better meet this objective, please provide us with feedback and requests regarding the information posted here.

Data accurate as of November 13, 2017.

* Indicates provisional figures.
— Data not available at time of publication.

Quarterly Gross Domestic Product (GDP)

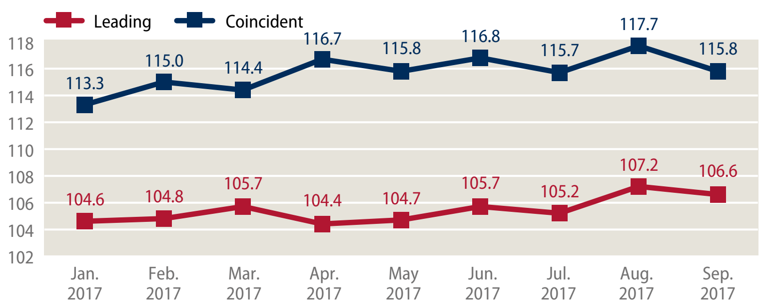
	Nominal Quarterly GDP (trillion yen)	Nominal Quarterly Growth Rate [quarter-on-quarter (%)]	Real Quarterly GDP (trillion yen)	Real Quarterly Growth Rate [quarter-on-quarter (%)]
July-September 2015	531.8	+1.6	517.0	+0.7
October-December 2015	530.8	-0.8	515.8	-0.9
January-March 2016	535.7	+3.8	518.5	+2.1
April-June 2016*	536.7	+0.7	521.1	+2.0
July-September 2016*	536.6	-0.1	522.3	+0.9
October-December 2016*	539.4	+2.1	524.4	+1.6
January-March 2017*	538.8	-0.4	525.9	+1.2
April-June 2017*	542.8	+3.0	529.2	+2.5

Tankan (Business Conditions)

	Business Conditions (Large Enterprises/ Manufacturing) [favorable (%) - unfavorable (%)]	Business Conditions (Large Enterprises/ Non-manufacturing) [favorable (%) - unfavorable (%)]
October-December 2015	6	22
January-March 2016	6	19
April-June 2016	6	18
July-September 2016	10	18
October-December 2016	12	20
January-March 2017	17	23
April-June 2017	22	23
July-September 2017	19	19

Indices of Business Trends

	Leading (2010 = 100)	Coincident (2010 = 100)
January 2017	104.6	113.3
February 2017	104.8	115.0
March 2017	105.7	114.4
April 2017	104.4	116.7
May 2017	104.7	115.8
June 2017	105.7	116.8
July 2017	105.2	115.7
August 2017	107.2	117.7
September 2017	106.6	115.8



Consumption

	Consumption Expenditure [year-on-year (%)]	Retail Sales Value [year-on-year (%)]	Number of New Cars Sold (thousand)	Department Store Sales [year-on-year (%)]
January 2017	-1.2	+1.0	402	-0.8
February 2017	-3.8	+0.2	485	-1.3
March 2017	-1.3	+2.1	691	+3.8
April 2017	-1.4	+3.2	355	+0.8
May 2017	-0.1	+2.1	373	+9.6
June 2017	+2.3	+2.2	477	+4.8
July 2017	-0.2	+1.8	428	+2.4
August 2017	+0.6	+1.8	355	+2.2
September 2017	-0.3	+2.2*	495	—
October 2017	—	—	372*	—

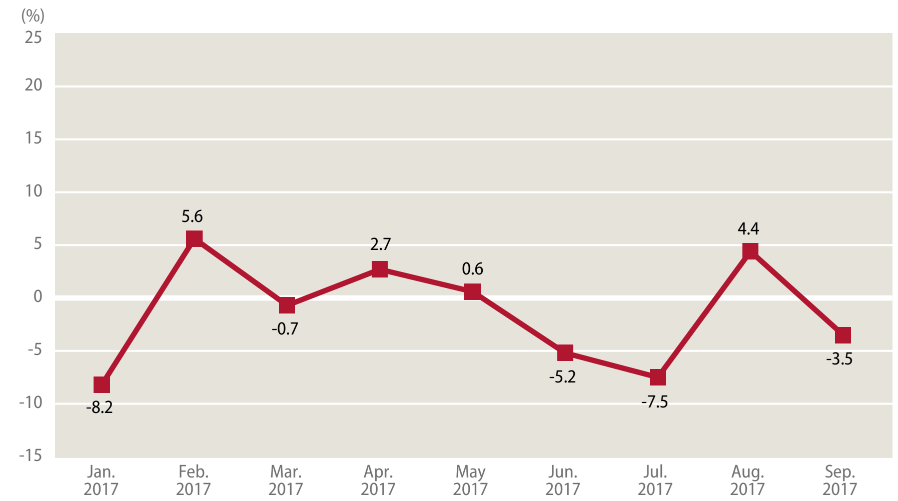
Consumption Expenditure: Household with two or more people, change from actual results of previous year.
Number of New Cars Sold: Total of passenger cars, trucks and busses. Includes light motor vehicles. Survey conducted by Japan Automobile Dealers Association and Japan Mini Vehicle Association.
Department Store Sales: Based on existing department stores. Survey conducted by Japan Department Stores Association.

Housing

	Number of New Housing Construction Starts (thousand units)	Number of Condominiums Sold		Orders Received for Construction [year-on-year (%)]	Contracted Amount of Public Works [year-on-year (%)]
		Tokyo Metropolitan Area (units)	Kinki Region (units)		
Monthly Average 2015	909	3,371	1,578	+1.5	-5.7
Monthly Average 2016	967	2,981	1,556	+3.7	+1.9
January 2017	1001	1,384	1,396	+1.1	+7.1
February 2017	940	2,310	1,394	+5.7	+10.4
March 2017	984	3,408	1,575	+1.1	+10.9
April 2017	1,004	2,741	1,391	-0.2	+1.7
May 2017	998	2,603	1,738	-0.5	+8.5
June 2017	1003	2,284	1,321	+2.3	-0.6
July 2017	974	3,426	1,832	+14.9	-5.4
August 2017	942	2,101	1,215	-10.6	-7.9
September 2017	952	2,978	2,392	-11.6	-10.4
Monthly Average 2017 to Date	978	2,582	1,584	+0.2	+1.6

Machinery Orders

	Private Sector Machinery Orders (excluding those for ships and from electric power companies) [year-on-year (%)]
Monthly Average 2015	+4.6
Monthly Average 2016	+1.9
January 2017	-8.2
February 2017	+5.6
March 2017	-0.7
April 2017	+2.7
May 2017	+0.6
June 2017	-5.2
July 2017	-7.5
August 2017	+4.4
September 2017	-3.5
Monthly Average 2017 to Date	-1.3



Indices of Industrial Production

	Production		Shipments		Inventories	
	Change [month-on-month (%)]	Change [year-on-year (%)]	Change [month-on-month (%)]	Change [year-on-year (%)]	Change [month-on-month (%)]	Change [year-on-year (%)]
Monthly Average 2015	-0.2	-1.2	-0.2	-1.3	+0.0	+3.3
Monthly Average 2016	+0.4	-0.1	+0.3	-0.7	-0.4	-1.8
January 2017	-2.1	+3.2	-1.1	+4.2	+0.1	-5.0
February 2017	+3.2	+4.7	+1.4	+3.7	+0.7	-3.9
March 2017	-1.9	+3.5	-0.8	+3.5	+1.5	-4.0
April 2017	+4.0	+5.7	+2.7	+4.9	+1.5	-1.1
May 2017	-3.6	+6.5	-2.9	+5.4	+0.0	-1.3
June 2017	+2.2	+5.5	+2.5	+5.3	-2.0	-2.9
July 2017	-0.8	+4.7	-0.7	+4.1	-1.1	-2.3
August 2017	+2.0	+5.3	+1.8	+5.8	-0.6	-2.9
September 2017*	-1.1	+2.5	-2.6	+1.4	+0.0	-2.4
Monthly Average 2017 to Date	+0.2	+4.6	+0.0	+4.3	+0.0	-2.9

Industry

	Index of Production Integrated Circuits [year-on-year (%)]	Crude Steel Production (thousand tons)	Index of Tertiary Industry Activity (2010 = 100)
Monthly Average 2015	+3.0	8,761	103.3
Monthly Average 2016	-1.0	8,731	103.9
January 2017	+14.4	9,003	104.0
February 2017	+19.6	8,340	103.9
March 2017	+12.9	8,888	103.6
April 2017	+18.1	8,755	105.0
May 2017	+41.9	8,929	105.0
June 2017	+21.4	8,411	104.8
July 2017	+25.7	8,588	104.9
August 2017	+24.9	8,729	104.8*
September 2017*	+16.2	8,626	104.6
Monthly Average 2017 to Date	+21.7	8,697	104.5

Monthly data for Indices of Tertiary Industry Activity are seasonally adjusted values.

Unemployment Rate and Active Job Openings-to-Applicants Ratio

	Unemployment Rate (%)	Active Job Openings-to-Applicants Ratio (times)
Monthly Average 2015	3.4	1.20
Monthly Average 2016	3.1	1.35
January 2017	3.0	1.43
February 2017	2.8	1.43
March 2017	2.8	1.45
April 2017	2.8	1.48
May 2017	3.1	1.49
June 2017	2.8	1.51
July 2017	2.8	1.52
August 2017	2.8	1.52
September 2017	2.8	1.52
Monthly Average 2017 to Date	2.9	1.48

Trade

	Trade and Customs Clearance		Import Price Index [year-on-year (%)]
	Exports (billion yen)	Imports (billion yen)	
Monthly Average 2015	6,301	6,534	-11.2
Monthly Average 2016	5,836	5,504	-16.3
January 2017	5,422	6,514	+4.3
February 2017	6,348	5,536	+9.6
March 2017	7,230	6,619	+12.0
April 2017	6,329	5,850	+10.8
May 2017	5,851	6,058	+12.4
June 2017	6,608	6,167	+11.5
July 2017	6,495	6,073	+11.8
August 2017	6,279	6,169	+12.6
September 2017*	6,811	6,143*	+13.5*
Monthly Average 2017 to Date	6,375	5,443	+10.9

Finance

	Monetary Basis [year-on-year (%)]	Total Outstanding Loans of Banks [year-on-year (%)]	Domestically Licensed Bank Weighted Average Lending Rate [annual rate (%)]	Newly Issued Government Bond Yields (10 years) [annual rate (%)]
Monthly Average 2015	+34.2	+2.6	1.143	0.350
Monthly Average 2016	+25.2	+2.2	1.045	-0.066
January 2017	+22.6	+2.6	0.996	0.085
February 2017	+21.4	+2.9	0.992	0.050
March 2017	+20.3	+3.0	0.982	0.065
April 2017	+19.8	+3.0	0.981	0.015
May 2017	+19.4	+3.2	0.976	0.040
June 2017	+17.0	+3.3	0.969	0.075
July 2017	+15.6	+3.4	0.965	0.075
August 2017	+16.3	+3.2	0.962	0.010
September 2017	+15.6	+3.0	—	0.060
October 2017	+14.5	+2.8*	—	0.065
Monthly Average 2017 to Date	+18.3	+3.0	0.978	0.054

Total Outstanding Loans of Banks: Average of outstanding loans.
Newly Issued Government Bonds Yields (10 years): Figures as of end of the period. Announced by Japan Bond Trading.

Consumer Price Index

	Consumer Price Index (general, excluding fresh food)		
	All Japan (2015 = 100)	Change [month-on-month (%)]	Change [year-on-year (%)]
Monthly Average 2015	100.0	+0.0	+0.6
Monthly Average 2016	99.7	-0.0	-0.3
January 2017	99.6	-0.2	+0.1
February 2017	99.6	+0.0	+0.2
March 2017	99.8	+0.2	+0.2
April 2017	100.1	+0.4	+0.3
May 2017	100.3	+0.2	+0.4
June 2017	100.2	-0.1	+0.4
July 2017	100.1	-0.1	+0.5
August 2017	100.3	+0.1	+0.7
September 2017	100.3	+0.0	+0.7
Monthly Average 2017 to Date	100.0	+0.1	+0.4

Stock and Yen Exchange Rates

	Nikkei Stock Average (yen)	Yen Exchange Rates against the U.S. Dollar (yen)	Yen Exchange Rates against the Euro (yen)
Monthly Average 2015	19,172.12	121.03	134.33
Monthly Average 2016	16,921.92	108.84	120.35
January 2017	19,194.06	114.73	122.07
February 2017	19,188.73	113.06	120.40
March 2017	19,340.18	113.01	120.73
April 2017	18,736.39	110.06	117.94
May 2017	19,726.76	112.21	124.14
June 2017	20,045.63	110.91	124.56
July 2017	20,044.86	112.44	129.50
August 2017	19,670.17	109.91	129.84
September 2017	19,924.40	110.68	131.86
October 2017	21,267.49	112.96	132.81
Monthly Average 2017 to Date	19,713.87	112.00	123.65

Nikkei Stock Average: Average for the period.
Yen Exchange Rates: Tokyo, interbank, spot trading, average for the period.