

**ARES Japan Fund Index(AJFI) (Quarterly returns Non-annualized)**

Calculated by using data of all Real Estate Funds in the AJFI universe.

	Preliminary figure (reference) yet to be finalized	Latest Final figure (a)	Previous Final figure (b)	Change (a)-(b)	Past returns at the time of the latest final figure date (Non-annualized)			
					1year	3years	5years	10years
Income Return	1.23%	1.24%	1.25%	-0.01%	5.12%	17.13%	31.25%	69.47%
Capital Return	1.50%	1.41%	1.47%	-0.06%	6.90%	26.37%	34.65%	6.87%
Total Return, Gross of fees	2.73%	2.65%	2.72%	-0.07%	12.02%	43.50%	65.91%	76.34%
Total Return, Net of fees	2.55%	2.47%	2.54%	-0.07%	11.29%	40.92%	60.85%	63.46%
Fund Count	53	89	87	2				
LTV	41.31%	41.08%	41.24%	-0.16%				

**Universe of ARES Japan Fund Index(AJFI)**

(Million Yen)	As of the Preliminary Figure Date (reference) yet to be finalized	As of the Final Figure Date (a)	As of Previous Figure Date (b)	% Change ((a)-(b))/(b)
Ending NAV	6,908,006	11,100,034	10,737,566	3.38%
Ending Total Asset (reference)	11,627,009	18,118,637	17,730,342	2.19%

(Note1) Income Return, Capital Return and Total Return, Gross of fees are returns calculated, not taking AM fees into consideration.

And Total Return, Gross of fees = Income Return + Capital Return.

(Note2) Total Return, Net of fees is return calculated, taking AM fees into consideration.

The difference between Total Return, Gross of fees and Total Return, Net of fees indicates the effect on Total Return by AM fees.

(Note3) Total Return of AJPI and AJFI released by ARES in principle means Total Return, Gross of fees unless any particular explanations are shown.

(Note4) Preliminary Figures are just reference information based only on a part of index universe whose data had already been disclosed at the time of index calculations.

Preliminary Figures will be changed in the future, reflecting other funds data as data disclosures proceed. When data disclosures of all funds have been completed, the figures will be the final figures.

**AJFI(ARES Japan Fund Index)**

**◆About AJFI**

ARES Japan Fund Index(AJFI) is a Japanese real estate fund index published by the association for real estate securitization(ARES).The universe of AJFI comprises listed-J-REITs as well as core and core-plus unlisted private real estate funds in Japan. As for unlisted private real estate funds, ARES is provided with actual performance data of the funds by "AJPI Support Member", the real estate asset management companies that concluded a contract concerning the data contribution with ARES.

**◆Characteristics of AJFI**

AJFI is a Japanese real estate fund index characterized mainly by the following three features.

- (1) AJFI is the only Japanese real estate investment index that major Japanese asset management companies jointly get aboard.
- (2) The universe of AJFI consists of "core funds" mainly aimed at obtaining income returns mainly.
- (3) The methodology of AJFI is based on that of NCREIF index in the US which is the most prevalent in the US and is well known over the

**◆The methodology for the calculation of AJFI (Outline)**

In the calculation of AJFI, each real estate fund's return is calculated from actual performance at first, then the market value-weighted average of the real estate returns is calculated as AJFI's returns and reflected in the index.

The methodology for each real estate fund's return calculation is based on that for the NCREIF Open-end Diversified Core Equity Index (NFI-ODCE) in the US.

As for the detail of the AJFI calculation methodology, please see the "Definition Summary of AJFI" on the ARES AJPI&AJFI website

<http://index.ares.or.jp/definition-ajfi-en.php>

**<About the modified Dietz method (reference) >**

The Modified-Dietz Method is one of the calculation methodologies accepted in the "Guidance Statement on Calculation Methodology" of the "Global Investment Performance Standards(GIPS)", whose effective date is Jan.1st. in 2011, as those methodologies for market value-weighted returns.

ARES has adopted the Modified-Dietz Method as the calculation methodology for each real estate fund's return which is a base for AJFI calculation because the methodology is established as standard in foreign countries and adopted in some major real estate such as the NFI-ODCE in the US.

**◆Usage notices**

In utilizing AJFI, please take good note about the "Usage notices for the AJPI and the AJFI" on the next page.

### **Usage notices for the AJPI and the AJFI**

- AJPI (ARES Japan Property Index) and AJFI (ARES Japan Fund Index) are Japanese real estate investment indices based on the actual investment results, reflecting market value-weighted-average returns. As market values for the weighting, we use real estate appraisal values in AJPI and net asset values based on real estate appraisal values in AJFI respectively.
- AJPI and AJFI tend to reflect the characteristics of real Estate appraisal values. The market values used in the calculations of AJPI and AJFI differ from those of the other indices of listed financial products. The market values for AJPI and AJFI are not based on transaction prices.
- AJPI and AJFI tend to be influenced by changes in the investment results of real estate and real estate funds with large market values because these indices are market value-weighted average returns.
- In case that the total values of the assets or the NAVs are not sufficiently large in the indices' universe of AJPI, AJFI or their subindices, specific real estate and real estate funds tend to affect the average returns, that could cause biases in the indices as a result.
- As for the subindices of AJPI and AJFI, the biases mentioned above are more likely to be brought about because their universe is restricted in line with certain criteria. ARES publishes some subindices with explanatory notes, such as AJFI-Open Ended Unlisted REITs "AJFI-OURs", in light of their usefulness despite possible biases in these subindices. Please pay sufficient attention to the instability and the possible biases in using these subindices.
- Among the AJFI subindices (AJFI-Low LTV, AJFI-Medium LTV, and AJFI-High LTV) whose universes are classified by LTVs, uniformity is not assured in factors other than LTV. Therefore, the levels and volatilities in AJFI-Low LTV, AJFI-Medium LTV, and AJFI-High LTV may not reflect factors caused only by differences in LTVs. Under certain market conditions or universes, the levels and volatilities may be greatly affected by non-LTV factors.
- ARES publishes a "Gross total index" in which asset management fees are not taken into consideration as an expense as well as a "Net total index" in which asset management fees are taken into consideration as an expense. The management fees here are those for the period.
- The differences between the "Gross total index" and the "Net total index" show the influence of the asset management fees. The asset management fees tend to be more influenced by the real estate funds with larger NAVs because AJFI is the real estate fund index based on market value -weighted-average returns.
- When a real estate property is acquired, the NOI of the property will be higher owing to the fixed asset tax and the city planning tax on the asset and have positive effects on returns because the taxes will usually be recognized as part of the asset value instead of recorded as expenses at the time of a real estate acquisition. As for AJPI, the impact of the taxes is largely reduced by not including properties acquired during the period. On the other hand, AJFI reflects the tax effect at the time of property acquisition since AJFI is based on the profit and loss of real estate funds. A real estate fund tends to be affected when the ratio of newly acquired assets to its total asset is high.
- Core real estate funds and their own real estate included in AJPI and AJFI are long term and stable investment targets. Therefore, there are cases where it is beneficial that mid-term and long-term fluctuations as well as short-term ones are taken into account.
- Besides the points to remember in AJPI and AJFI, such as their characteristics and possible biases mentioned above, it is not appropriate for the investment performance of real estate or real estate fund to be evaluated solely on the basis of returns. For example, lower returns could be caused by short-time fluctuations, investments mainly focused on good quality real estate with low risks, low levels of LTVs in line with conservative financial strategies,.
- In evaluating investment results, it is inappropriate to compare the returns of each real estate property and each real estate fund with AJPI and AJFI returns. Please take good note that various other factors should be taken into consideration.

**ARES Japan Fund Index(AJFI) Unlisted Funds Inc. Unlisted REIT (Quarterly returns Non-annualized)**

Calculated by using data of unlisted Real Estate Funds only inc. unlisted REITs in the AJFI universe.

	Preliminary figure (reference) yet to be finalized	Latest Final figure (a)	Previous Final figure (b)	Change (a)-(b)	Past returns at the time of the latest final figure date (Non-annualized)			
					1year	3years	5years	10years
Income Return	1.29%	1.29%	1.28%	0.00%	5.20%	16.86%	28.95%	75.00%
Capital Return	1.08%	0.82%	0.92%	-0.10%	4.70%	15.89%	23.97%	-4.91%
Total Return, Gross of fees	2.37%	2.11%	2.20%	-0.09%	9.91%	32.75%	52.92%	70.09%
Total Return, Net of fees	2.23%	1.95%	2.04%	-0.09%	9.20%	30.27%	47.90%	51.44%
Fund Count	19	36	35	1				
LTV	36.87%	39.40%	39.50%	-0.10%				

**Universe of ARES Japan Fund Index(AJFI) Unlisted Funds Inc. Unlisted REIT**

(Million Yen)	As of the Preliminary Figure Date (reference) yet to be finalized	As of the Final Figure Date (a)	As of Previous Figure Date (b)	% Change ((a)-(b))/(b)
Ending NAV	463,122	1,324,696	1,230,587	7.65%
Ending Total Asset (reference)	708,140	2,043,155	1,961,187	4.18%

(Note1) Income Return, Capital Return and Total Return,Gross of fees are returns calculated, not taking AM fees into consideration.

And Total Return, Gross of fees = Income Return +Capital Return.

(Note2) Total Return, Net of fees is return calculated, taking AM fees into consideration.

The difference between Total Return,Gross of fees and Total Return,Net of fees indicates the effect on Total Return by AM fees.

(Note3) Total Return of AJPI and AJFI released by ARES in principle means Total Return,Gross of fees unless any particular explanations are shown.

(Note4) Preliminary Figures are just reference information based only on a part of index universe whose data had already been disclosed at the time of index calculations.

Preliminary Figures will be changed in the future, reflecting other funds data as data disclosures proceed. When data disclosures of all funds have been completed, the figures will be the final figures.

**ARES Japan Fund Index(AJFI)-OURs(AJFI-Open End Core Unlisted REITs) (Quarterly returns Non-annualized)**

Calculated by using data of unlisted REIT(Open End Core) in the AJFI universe.

	Preliminary figure (reference) yet to be finalized	Latest Final figure (a)	Previous Final figure (b)	Change (a)-(b)	Past returns at the time of the latest final figure date (Non-annualized)			
					1year	3years	5years	10years
Income Return	#N/A	1.30%	1.29%	0.01%	5.23%	16.89%	-	-
Capital Return	#N/A	0.81%	0.84%	-0.03%	3.75%	13.11%	-	-
Total Return, Gross of fees	#N/A	2.11%	2.13%	-0.02%	8.97%	29.99%	-	-
Total Return, Net of fees	#N/A	1.94%	1.96%	-0.02%	8.28%	27.54%	-	-
Fund Count	#N/A	16	16	0				
LTV	#N/A	39.28%	39.37%	-0.09%				

**Universe of ARES Japan Fund Index(AJFI) Open End Core Unlisted REITs**

(Million Yen)	As of the Preliminary Figure Date (reference) yet to be finalized	As of the Final Figure Date (a)	As of Previous Figure Date (b)	% Change ((a)-(b))/(b)
Ending NAV	#N/A	1,229,199	1,154,578	6.46%
Ending Total Asset (reference)	#N/A	1,890,742	1,834,026	3.09%

(Note1) Income Return, Capital Return and Total Return,Gross of fees are returns calculated, not taking AM fees into consideration.

And Total Return, Gross of fees = Income Return +Capital Return.

(Note2) Total Return, Net of fees is return calculated, taking AM fees into consideration.

The difference between Total Return,Gross of fees and Total Return,Net of fees indicates the effect on Total Return by AM fees.

(Note3) Total Return of AJPI and AJFI released by ARES in principle means Total Return,Gross of fees unless any particular explanations are shown.

(Note4) Preliminary Figures are just reference information based only on a part of index universe whose data had already been disclosed at the time of index calculations.

Preliminary Figures will be changed in the future, reflecting other funds data as data disclosures proceed. When data disclosures of all funds have been completed, the figures will be the final figures.

**ARES Japan Fund Index(AJFI) Listed REITs (Quarterly returns Non-annualized)**

Calculated by using data of listed REIT in the AJFI universe.

	Preliminary figure (reference) yet to be finalized	Latest Final figure (a)	Previous Final figure (b)	Change (a)-(b)	Past returns at the time of the latest final figure date (Non-annualized)			
					1year	3years	5years	10years
Income Return	1.22%	1.23%	1.25%	-0.02%	5.10%	17.15%	31.47%	69.49%
Capital Return	1.54%	1.49%	1.55%	-0.05%	7.20%	27.63%	35.97%	8.66%
Total Return, Gross of fees	2.76%	2.72%	2.79%	-0.07%	12.31%	44.78%	67.44%	78.16%
Total Return, Net of fees	2.58%	2.55%	2.61%	-0.07%	11.57%	42.19%	62.37%	65.52%
Fund Count	34	53	52	1				
LTV	41.60%	41.29%	41.46%	-0.17%				

**Universe of ARES Japan Fund Index(AJFI) Listed REITs**

(Million Yen)	As of the Preliminary Figure Date (reference) yet to be finalized	As of the Final Figure Date (a)	As of Previous Figure Date (b)	% Change ((a)-(b))/(b)
Ending NAV	6,444,884	9,775,338	9,506,979	2.82%
Ending Total Asset (reference)	10,918,869	16,075,483	15,769,155	1.94%

(Note1) Income Return, Capital Return and Total Return, Gross of fees are returns calculated, not taking AM fees into consideration.  
And Total Return, Gross of fees = Income Return + Capital Return.

(Note2) Total Return, Net of fees is return calculated, taking AM fees into consideration.

The difference between Total Return, Gross of fees and Total Return, Net of fees indicates the effect on Total Return by AM fees.

(Note3) Total Return of AJPI and AJFI released by ARES in principle means Total Return, Gross of fees unless any particular explanations are shown.

(Note4) Preliminary Figures are just reference information based only on a part of index universe whose data had already been disclosed at the time of index calculations.  
Preliminary Figures will be changed in the future, reflecting other funds data as data disclosures proceed. When data disclosures of all funds have been completed, the figures will be the final figures.

AJPI Support Members

AJFI covers all listed REIT as well as unlisted real estate funds whose data are contributed by the following companies.

◆ Unlisted Data Contributors (Support Members)

- Ichigo Estate Co., Ltd.
- Ichigo Investment Advisors Co., Ltd.
- Idera Capital Management Ltd.
- SG Assetmax Co., Ltd.
- NTT Urban Development Asset Management Corporation
- Keihan Asset Management Co., Ltd.
- Kenedix, Inc.
- Kenedix Real Estate Fund Management, Inc.
- Kowa Real Estate Investment Advisors Co., Ltd.
- Goldman Sachs Asset Management Co., Ltd.
- Sumisho Realty Management Co., Ltd.
- SENKO Asset Management Co., Ltd.
- Diamond Realty Management Inc.
- Daiwa House Real Estate Investment Management Co., Ltd.
- Daiwa Real Estate Asset Management Co. Ltd.
- Tokyu Land Capital Management Inc.
- TLC REIT Management Inc.
- Tokio Marine Asset Management Co., Ltd.
- Tokyo Tatemono Investment Advisors Co., Ltd.
- Nittochi Asset Management Co., Ltd.
- Nomura Real Estate Asset Management Co., Ltd.
- HASEKO Real Estate Investment Management, Inc.
- Marubeni Asset Management Co., Ltd.
- Mizuho Trust & Banking Co., Ltd.
- Sumitomo Mitsui Trust Real Estate Investment Management Co., Ltd.
- Mitsui Fudosan Investment Advisors, Inc.
- Mitsubishi Jisho Investment Advisors, Inc.

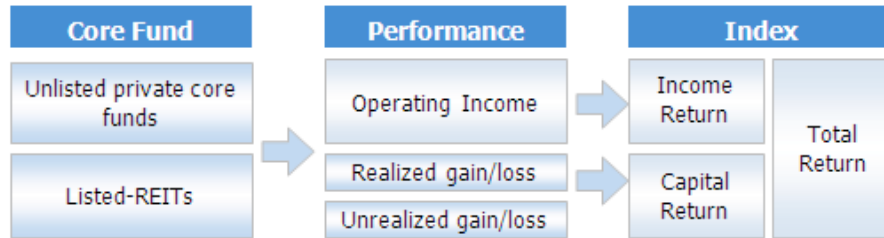
(As of September 29, 2017)



ARES Japan Fund Index

ARES Japan Fund Index ("AJFI") is the index calculated from the universe of core funds' performance. These funds generally borrow some external debt for leverage effect, so this kind of fund index is also called "Leveraged Property Index".

Conceptual diagram of AJFI



Note) Unrealized gain/loss = Change in NAVs  
NAV = Total assets - Total liabilities = invested Capital + capital appreciation  
Capital appreciation = Market value (External appraisal value) - Bookvalue

AJFI is the performance index calculated from weighted average income returns and capital returns which are provided from unlisted private funds' data (undisclosed) and listed REITs' data (disclosed).

Inclusion of listed REITs' data

As J-REITs, Japanese Real Estate Investment Trust, are different from REITs in other countries with the following three points, they can be classified as "plain core fund" and included in the AJFI.

- J-REITs' activities are regulatory restricted to be rental business for the long-term investment
- Disclosing external appraisal value by property twice per year
- Disclosing operating data such as NOI and Sales proceeds by property

J-REITs' equity, as you know, is listed and traded in the market, but AJFI includes non-traded NAV changes of J-REITs' equity by reckoning listed J-REITs as non-traded private funds.

On the other hand, the open-ended core funds are included in the composite of unlisted private funds, and they are similar to J-REITs in terms of "the leverage level" and "plane core strategy".

AJFI Fact Sheet	
Name	ARES Japan Fund Index
Outline	Performance index for core private real estate funds (leveraged property index)
Index data	<ul style="list-style-type: none"> <li>• Monthly index (1000 points at December 31, 2001)</li> <li>• Quarterly and annual returns</li> <li>• Universe profile: number of funds, total assets, NAVs, etc</li> <li>• Sub-Indices (AJFI-Open End Core Unlisted REITs etc.)</li> </ul>
Methodology	<ul style="list-style-type: none"> <li>• Weighted-average index of income returns (net income before management fees) and capital returns (changes in NAV appreciation on an appraisal basis)</li> <li>• Income return + Capital Appreciation return = Total return</li> <li>• A time-weighted return with modified Dietz method</li> <li>• Conforming the methodology of NCREIF Fund Index (NFI) in the United States</li> </ul>
Information	<ul style="list-style-type: none"> <li>• Monthly update</li> <li>• ARES website: AJFI Databook (Free downloadable spreadsheets)</li> <li>• Vendors : Bloomberg etc.</li> </ul>
Universe	<ul style="list-style-type: none"> <li>• Core or Core-plus strategy; unlisted private funds, open-ended private funds, and J-REITs</li> <li>• AJFI includes non-traded NAV changes of J-REIT equity by reckoning listed J-REITs as non-traded private funds.</li> </ul>

Reference

Characteristics of ARES Real Estate Investment indices(AJFI&AJPI)  
<http://index.ares.or.jp/feature-en.php>

Examples of the use of AJPI&AJFI  
<http://index.ares.or.jp/example-01-en.php>