

The Universe of ARES Property Index(AJPI)

	Preliminary figure Data※(reference) yet to be finalized		Latest Final figure Date		Preliminary figure※ Quarterly returns Non-annualized (reference) yet to be finalized	Latest Final figure (Quarterly returns Non-annualized)	Previous Final figure (Quarterly returns Non-annualized)	1year return (at the time of the latest final figure date)	
	Market Value(Million yen) Percent of Total Properties	Market Value(Million yen) Percent of Total Properties	Market Value(Million yen) Percent of Total Properties	Market Value(Million yen) Percent of Total Properties					
<b>ARES Japan Property Index</b>									
Total Index	6,081,050 (100.00%)	1,185	16,721,870 (100.00%)	3,454	Total Return	1.76%	1.73%	1.88%	8.04%
					Income Return	1.18%	1.17%	1.18%	4.83%
					Capital Return	0.59%	0.56%	0.71%	3.21%
<b>Property Type Subindices</b>									
Office	2,793,168 (45.93%)	275	7,437,800 (44.48%)	863	Total Return	1.54%	1.83%	1.95%	7.76%
					Income Return	1.08%	1.08%	1.08%	4.44%
					Capital Return	0.47%	0.75%	0.87%	3.32%
Residential	1,142,367 (18.79%)	596	2,951,360 (17.65%)	1,680	Total Return	1.79%	1.58%	1.76%	7.44%
					Income Return	1.21%	1.22%	1.23%	5.04%
					Capital Return	0.58%	0.35%	0.53%	2.40%
Retail	818,717 (13.46%)	92	2,917,456 (17.45%)	366	Total Return	1.63%	1.68%	1.82%	7.50%
					Income Return	1.28%	1.23%	1.27%	5.19%
					Capital Return	0.35%	0.45%	0.55%	2.32%
Hotel	617,190 (10.15%)	98	824,628 (4.93%)	160	Total Return	2.79%	0.89%	0.85%	14.82%
					Income Return	1.45%	1.35%	1.34%	6.02%
					Capital Return	1.34%	-0.46%	-0.49%	8.80%
Logistics Facility	432,982 (7.12%)	70	2,002,690 (11.98%)	255	Total Return	2.00%	1.95%	2.32%	9.04%
					Income Return	1.24%	1.23%	1.25%	5.10%
					Capital Return	0.76%	0.73%	1.07%	3.94%

**AJPI(ARES Japan Property Index)**

◆About AJPI

ARES Japan Property Index(AJPI) is a Japanese property index published by the association for real estate securitization(ARES).The universe of AJPI comprises real estate, including trust beneficiary right of real estate, owned by listed-J-REITs as well as core and core-plus unlisted private real estate funds in Japan. As for the real estate owned by 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 AJPI

AJPI is a Japanese property index characterized mainly by the following three features.

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

◆The methodology for the calculation of AJPI (Outline)

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

The methodology for each property's return calculation is based on that for NCREIF Property Index(NPI) in the US.

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

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

◆Usage notices

In utilizing AJPI, 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.

The Universe of ARES Property Index(AJPI)

	Preliminary figure Data※(reference) yet to be finalized		Latest Final figure Date		Preliminary figure※ Quarterly returns Non-annualized (reference) yet to be finalized	Latest Final figure (Quarterly returns Non-annualized)	Previous Final figure (Quarterly returns Non-annualized)	1year return (at the time of the latest final figure date)	
	Market Value(Million yen) Percent of Total Properties	Market Value(Million yen) Percent of Total Properties	Market Value(Million yen) Percent of Total Properties	Market Value(Million yen) Percent of Total Properties					
<b>Regional Subindices (Office)</b>									
Tokyo 3CBDs	1,209,234 (19.89%)	101	3,122,647 (18.67%)	321	Total Return	1.39%	1.63%	1.84%	7.07%
					Income Return	0.95%	0.97%	0.97%	3.93%
					Capital Return	0.43%	0.67%	0.87%	3.15%
Tokyo 23CBDs	2,100,154 (34.54%)	184	5,415,949 (32.39%)	581	Total Return	1.48%	1.74%	1.90%	7.47%
					Income Return	0.97%	0.99%	0.99%	4.04%
					Capital Return	0.50%	0.75%	0.91%	3.44%
Nagoya	0 (0.00%)	0	228,219 (1.36%)	36	Total Return	#N/A	2.39%	2.41%	9.01%
					Income Return	#N/A	1.32%	1.35%	5.48%
					Capital Return	#N/A	1.07%	1.06%	3.52%
Osaka	204,260 (3.36%)	25	497,860 (2.98%)	56	Total Return	1.60%	1.99%	2.00%	8.20%
					Income Return	1.26%	1.22%	1.21%	5.02%
					Capital Return	0.34%	0.77%	0.79%	3.18%
Fukuoka	0 (0.00%)	0	131,720 (0.79%)	23	Total Return	#N/A	2.51%	2.52%	9.92%
					Income Return	#N/A	1.36%	1.37%	5.63%
					Capital Return	#N/A	1.15%	1.15%	4.29%
<b>Regional Subindices (Residential)</b>									
Tokyo 3CBDs	260,383 (4.28%)	103	634,951 (3.80%)	249	Total Return	1.74%	1.54%	1.79%	7.36%
					Income Return	1.17%	1.17%	1.19%	4.85%
					Capital Return	0.58%	0.36%	0.60%	2.51%
Tokyo 23CBDs	845,505 (13.90%)	388	2,041,083 (12.21%)	1,001	Total Return	1.80%	1.49%	1.71%	7.22%
					Income Return	1.17%	1.17%	1.17%	4.79%
					Capital Return	0.63%	0.32%	0.54%	2.43%
Nagoya	50,272 (0.83%)	35	138,485 (0.83%)	102	Total Return	1.59%	1.99%	1.89%	8.40%
					Income Return	1.32%	1.32%	1.35%	5.53%
					Capital Return	0.27%	0.67%	0.54%	2.88%
Osaka	44,359 (0.73%)	25	157,046 (0.94%)	95	Total Return	1.84%	1.72%	1.91%	7.69%
					Income Return	1.28%	1.28%	1.33%	5.40%
					Capital Return	0.55%	0.44%	0.58%	2.29%
Fukuoka	25,309 (0.42%)	18	82,102 (0.49%)	59	Total Return	1.78%	1.65%	1.92%	7.58%
					Income Return	1.35%	1.35%	1.38%	5.58%
					Capital Return	0.43%	0.30%	0.54%	2.00%

The Universe of ARES Property Index(AJPI)

	Preliminary figure Data※(reference) yet to be finalized		Latest Final figure Date		Preliminary figure※ Quarterly returns Non-annualized (reference) yet to be finalized	Latest Final figure (Quarterly returns Non-annualized)	Previous Final figure (Quarterly returns Non-annualized)	1year return (at the time of the latest final figure date)	
	Market Value(Million yen) Percent of Total Properties	Market Value(Million yen) Percent of Total Properties	Market Value(Million yen) Percent of Total Properties	Market Value(Million yen) Percent of Total Properties					
<b>Regional Subindices (Retail)</b>									
Tokyo 3CBDs	0 (0.00%)	0	230,837 (1.38%)	30	Total Return	#N/A	2.02%	2.83%	9.34%
					Income Return	#N/A	0.96%	0.99%	4.03%
					Capital Return	#N/A	1.06%	1.84%	5.30%
Tokyo 23CBDs	228,880 (3.76%)	28	901,287 (5.39%)	119	Total Return	1.47%	1.75%	2.04%	8.08%
					Income Return	0.93%	0.96%	0.99%	4.04%
					Capital Return	0.54%	0.79%	1.05%	4.04%
Nagoya	0 (0.00%)	0	0 (0.00%)	0	Total Return	-	-	-	-
					Income Return	-	-	-	-
					Capital Return	-	-	-	-
Osaka	0 (0.00%)	0	227,616 (1.36%)	22	Total Return	#N/A	2.01%	1.95%	7.91%
					Income Return	#N/A	1.14%	1.14%	4.70%
					Capital Return	#N/A	0.87%	0.81%	3.21%
Fukuoka	0 (0.00%)	0	123,764 (0.74%)	13	Total Return	#N/A	1.91%	1.87%	7.63%
					Income Return	#N/A	1.40%	1.40%	5.62%
					Capital Return	#N/A	0.52%	0.47%	2.00%

AJPI Support Members

ARES has signed a letter of agreement on AJPI with each AJPI Support Member to receive core funds' performance data.

◆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.
- Sohgoh Real Estate Investment Management Co.,Ltd.
- Diamond Realty Management Inc.
- Daiwa Real Estate Asset Management Co. Ltd.
- Tokyu Land Capital 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.
- 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 December 21, 2016)

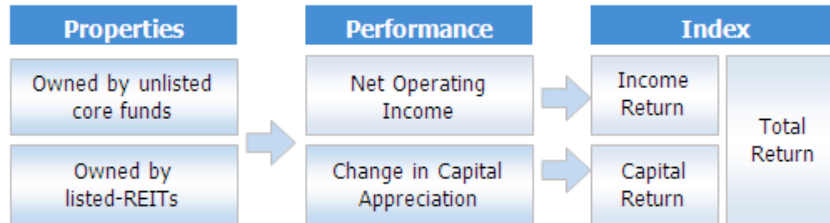


## ARES Japan Property Index

ARES Japan Property Index ("AJPI") is the index calculated from the universe of income-producing properties owned by core real estate funds mainly for institutional investors.

Property index is a weighted-average index calculated by actual NOI data from operating activities and capital appreciation data based on changes in the external appraisal value.

### Conceptual diagram of AJPI



Note) Capital appreciation = The end of market value - The beginning of market value

AJPI 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

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

- J-REITs' activities are regulatory restricted to be rental businesses for the long-term investment
- J-REITs disclose actual NOI and external appraisal value by property twice a year
- J-REITs' loan to value ratio generally remains low.

### AJPI Fact Sheet

Name	• ARES Japan Property Index
Outline	• Performance index for income-producing properties owned by core real estate funds for institutional investors
Index data	• Monthly index (1000 points at December 31, 2001) • Quarterly and annual returns • Sub-index by type or area • Universe profile: number of properties, total assets, average occupancy, and cap rate
Methodology	• Weighted-average index of income returns (Net Operating Income) and capital appreciation returns (changes in appraisal value) • Income return + Capital Appreciation return = Total return • Conforming the methodology of NCREIF Property Index (NPI) in the United States
Information	• Monthly update • ARES website: AJPI Databook (Free download spreadsheets) • Vendors : Bloomberg etc.
Universe	• Properties owned by unlisted core funds and all of properties owned by J-REITs. Performance data from unlisted core funds is provided from AJPI Support Members • ARES hope to cover core investment market more widely, where institutional real estate is traded, and plan to expand the AJPI's universe step by step.

### 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>