

NEWS RELEASE

Aozora Announces Results of Real Estate Securitization Products Survey

Regional financial institutions are gradually increasing investments in real estate securitization products, which have been established as major investment targets.

Tokyo September 20, 2018 — Aozora Bank, Ltd. (President and CEO: Shinsuke Baba; Head Office: Tokyo) ('Aozora' or 'the Bank') today announced the results of its fourth annual real estate securitization products survey. This survey is aimed at regional financial institutions and looks at their stance regarding real estate securitization products.

The survey has been conducted annually since 2015 in collaboration with the Bank's wholly-owned subsidiary, Aozora Real Estate Investment Advisors Co., Ltd. (President: Naomi Okada; Head Office: Tokyo) ('AREIA'), with the cooperation of Aozora's regional financial institution customers.

Survey Result Highlights

1. The survey targeted a group of 275 regional financial institutions ('RFIs') consisting of regional banks, second-tier regional banks, credit unions, and credit associations, of which 214 responded (a response rate of 78%).
2. RFIs have established listed REITs and private REITs as major investment targets. About 80% of investors responded that they were investing in listed REITs and about 50% were investing in private REITs, a result that has remained unchanged over the course of the survey. (See Figure 1)
3. Even though real estate securitization products such as private REITs and private equity real estate funds* are considered to have low liquidity, they have earned a certain degree of recognition among investors, and the market is expanding. However, while demand for private REITs is growing, capital increase opportunities for each issue are limited, so it seems it is not always easy for RFIs to secure new investment opportunities. Moreover, growth in the number of investors was limited partly due to the fact that RFIs have less access to private equity real estate funds. (See Figure 1)
4. There were a few RFIs that reduced investment balances in private REITs. This shows

that there were profit-taking sales as unrealized gains increased along with prolonged investment in private REITs. Also, according to interviews conducted by AREIA, the number of transactions in the secondary market for private REITs has been gradually increasing. (See Figure 2)

5. Although there were only a few RFIs investing in private equity real estate funds, none of them replied that they intended “to reduce investments”, an identical result to the previous survey. It appears that existing investment projects are showing favorable performance in addition to being compatible with the need to diversify investment approaches. (See Figure 2)
6. When asked about real estate projects that could contribute to revitalization of local economies, nearly 50% of RFIs, including many RFIs that have no experience investing in private equity real estate funds, answered that they “may consider taking out a loan or making an investment”. Furthermore, about 30% of RFIs answered that they “may consider taking out a loan only”. This shows many RFIs’ willingness to be proactive in the revitalization of local economies. (See Figure 3)

Survey Parameters

The survey has been conducted by utilizing the Bank’s network of RFIs and AREIA’s high level of expertise in real estate securitization products. It has the following parameters:

Covering RFIs nationwide

The survey is aimed exclusively at RFIs (regional banks, second-tier regional banks, credit unions, credit associations, etc.) as a subset of institutional investors, and covers RFIs nationwide.

Focusing on real estate securitization products

These survey results shed light on the growing investment needs of RFIs for real estate securitization products amid the increasingly harsh environment for surplus funds management as well as shrinking lending margins.

*Note: In this survey, a “private equity real estate fund” is defined as the mechanism through which investments in real estate trust beneficiary rights are made for a set period of time by raising funds from a small number of or specific institutional investors, not including private REITs.

Overview of Aozora Real Estate Investment Advisors

Name (Address): Aozora Real Estate Investment Advisors Co., Ltd. (6-1-1 Kojimachi, Chiyoda-ku, Tokyo)

Established: January 6, 2015 (Commenced operations: April 1, 2015)

Operations: Financial Instruments Business (Investment Advisory and Agency Business)
(Director General of the Kanto Local Finance Bureau (financial Instruments firms) No. 2826)

Aozora will continue to be proactive in providing differentiated and specialized real estate-related financial services as the “Primary Secondary Bank; the partner of choice”.

Media inquiries: Atsuhiko Goto, Business Strategy Division 03-6752-1217

Figure 1 Investment breakdown

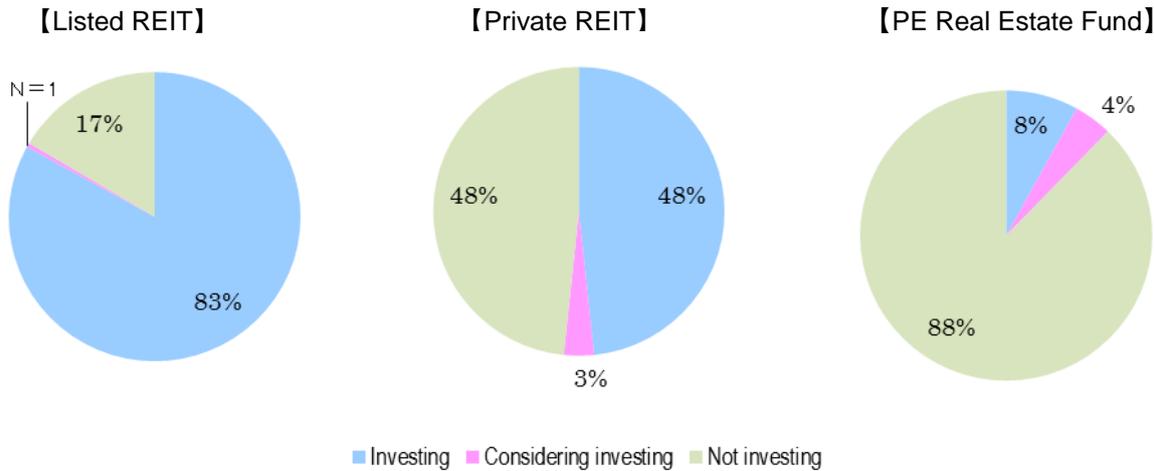


Figure 2 Investment balance policy

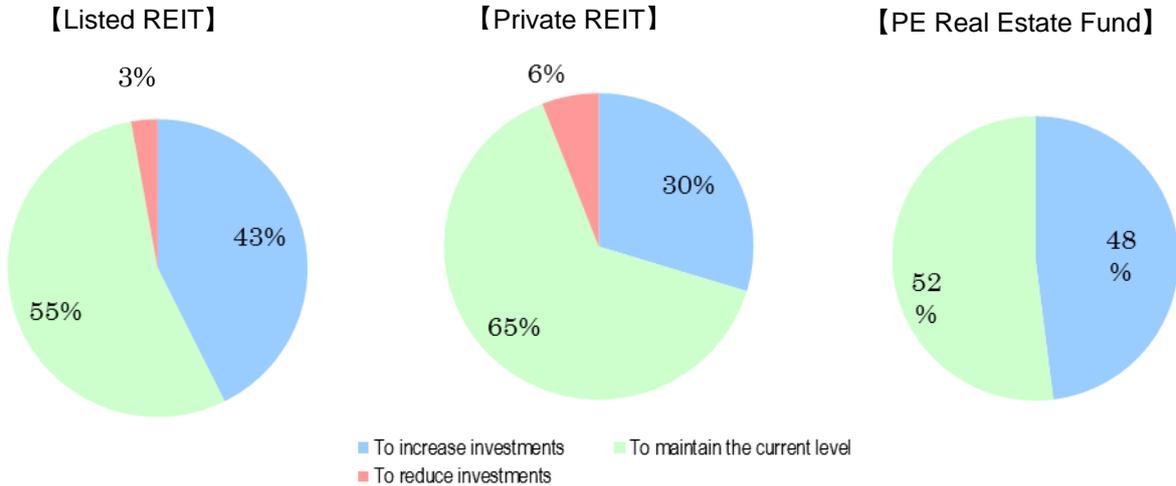


Figure 3 Real estate project initiatives that could contribute to revitalization of local economies

