



**Japan Retail Fund Investment Corporation**

**Second Fiscal Period Results**  
**(September 1, 2002 – February 28, 2003)**

## **DISCLAIMER**

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April 23, 2003

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**ANNOUNCEMENT OF SECOND FISCAL PERIOD RESULTS**

**DISTRIBUTION PER UNIT +2.2% ABOVE ESTIMATES**

**Summary of Financial Results**

Japan Retail Fund Investment Corporation (“JRF”; TSE ticker code: 8953) today announced the financial results of its second fiscal period for the six-month period from September 1, 2002 to February 28, 2003.

For the second fiscal period, JRF reported gross revenues of ¥1,453 million, operating income of ¥914 million, income before income taxes of ¥757 million, net income of ¥756 million and earnings and cash distributions per unit of ¥14,438. The cash distributions per unit exceeded the estimate of ¥14,134 reported to the Tokyo Stock Exchange on January 22, 2003 by 2.2%.

As of February 28, 2003, JRF’s property portfolio was independently appraised at ¥43,220 million. The appraised value as of August 31, 2002, after adjusting for the remaining 19.6% interest in ESPA Kawasaki, which was acquired by JRF on December 10, 2002, was ¥43,090 million.

The assets of JRF totaled ¥45,012 million as of February 28, 2003, interest bearing debt was ¥9,000 million and total unitholders’ equity was ¥24,418 million, or ¥466,010 per unit.

**Second Fiscal Period Highlights**

***Additional Acquisition:*** On December 10, 2002, JRF exercised its preferential right to acquire the remaining 19.6% interest in ESPA Kawasaki it had not previously owned, for ¥1,974 million.

***Leverage:*** As of February 28, 2003, JRF’s overall leverage level was 44.9% (20.0% excluding tenant deposits).

**JRF's Portfolio Profile:** As of February 28, 2003, JRF's portfolio was comprised of four retail properties with 180,459 square meters of leaseable space and with an average building age of 3.7 years.

### **Forecasts for the Third and Fourth Accounting Periods**

**Operating Environment:** On March 4, 2003, JRF issued a total of 95,000 new investment units at a price per unit of ¥521,228, of which 67,910 of such units were issued in connection with a Japanese Primary Offering, and 27,090 of such units are issued in connection with an International Offering pursuant of Rule 144A under the U.S. Securities Act of 1933. Net proceeds of approximately ¥47.7 billion from these Offerings were substantially utilized in the acquisition of five specified additional retail properties with an aggregate purchase price of ¥67.9 billion. On March 26, 2003, 5,102 additional units were issued by JRF in connection with the exercise of an over-allotment option granted in connection with underwriter stabilization activities within the Japanese offering, generating an additional ¥2.6 billion in net proceeds to JRF.

**Performance Forecasts:** For the third accounting period from March 1, 2003 to August 31, 2003, JRF estimates gross revenue at ¥5,332 million and net income at ¥2,212 million, or ¥14,504 per unit. For the fourth accounting period from September 1, 2003 to February 29, 2004, JRF estimates gross revenue at ¥5,467 million and net income at ¥2,260 million, or ¥14,819 per unit.

JRF and its asset manager, having considered the operating environment in which JRF operates, believe that the above forecasts, based on operating assumptions associated with JRF's current portfolio, are reasonable. However, these numbers are not a guarantee of JRF's third and fourth period performance and that final results may differ due to unforeseen circumstances.

Please also refer to "Disclaimer" accompanying this document.

### **About JRF**

Japan Retail Fund Investment Corporation is the third listed Japanese Real Estate Investment Trust ("J-REIT") and the first J-REIT to focus primarily on retail properties. JRF currently owns nine retail properties containing approximately 388,100 square meters of leaseable space, with

an average building age of 6.3 years and the average lease term of JRF's top five tenants, which in the aggregate represent over 85% of total leasable area, is 13.3 years.

**Investor Relations:** *For further information relating to this press release as well as the Fund and its Asset Manager, please feel free to contact Mr. Hidenori Asai, Deputy President and Head of Investor Relations at Mitsubishi Corp.-UBS Realty Inc. (Telephone Number: 81-3-3511-1692)*

*(Summary Financial Information Attached)*

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**BALANCE SHEET**

As of February 28, 2003

	<u>February 28, 2003</u>	<u>August 31, 2002</u>
	<u>(JPY in Millions)</u>	<u>(JPY in Millions)</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	1,734	1,753
Rental receivables	45	45
Consumption tax refundable	–	729
Prepaid expenses and other assets	16	23
<i>Total current assets</i>	1,795	2,550
<b>Non-current assets:</b>		
<b>Property and equipment, at cost:</b>		
Land	27,552	26,353
Buildings	14,982	14,233
Building improvements	995	948
Machinery and equipment	79	65
	43,608	41,599
Less: Accumulated depreciation	(580)	(285)
<i>Net property and equipment</i>	43,028	41,314
<b>Other assets:</b>		
Long-term prepaid expenses	33	38
Organization costs	97	111
Other	59	51
<i>Total other assets</i>	189	200
<b>TOTAL ASSETS</b>	45,012	44,064

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**BALANCE SHEET**

**As of February 28, 2003**

	<u>February 28, 2003</u>	<u>August 31, 2002</u>
	<u>(JPY in Millions)</u>	<u>(JPY in Millions)</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	4,830	4,830
Accounts payable	–	129
Rent received in advance	142	130
Accrued expenses and other liabilities	200	169
<i><b>Total current liabilities</b></i>	5,172	5,258
<b>Non-current liabilities:</b>		
Long-term debt	4,170	4,170
Tenant leasehold and security deposits	11,192	10,229
Other	59	51
<i><b>Total non-current liabilities</b></i>	15,421	14,450
<b>TOTAL LIABILITIES</b>	20,593	19,708
<b>Unitholders' equity:</b>		
Unitholders' capital, 2,000,000 units authorized,		
52,400 units issued and outstanding	23,662	23,662
Retained earnings	757	694
<b>TOTAL UNITHOLDERS' EQUITY</b>	24,419	24,356
<b>TOTAL LIABILITIES AND UNITHOLDERS' EQUITY</b>	45,012	44,064

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**

**For the Period from September 1, 2002**  
**to February 28, 2003**

	<u>September 1, 2002 to</u> <u>February 28, 2003</u> <u>(JPY in Millions)</u>	<u>September 14, 2001 to</u> <u>August 31, 2002</u> <u>(JPY in Millions) (1)</u>
<b>Operating Revenue and Expenses:</b>		
<b>Operating revenues</b>		
Rental and other operating revenues	1,453	1,350
<b>Operating expenses</b>		
Property-related expenses	341	327
Asset management fees	132	122
Custodian fees	9	6
General administration fees	28	25
Other	29	29
	539	509
<b>Operating income</b>	914	841
<b>Non-Operating Revenues and Expenses</b>		
<b>Non-operating revenues</b>		
Other non-operating revenues	1	-
<b>Non-operating expenses</b>		
Interest expense	49	39
Offering costs	82	80
Amortization of organization costs	14	14
Other non-operating expenses	12	12
	757	696
<b>Income before income taxes</b>	757	696
Income taxes	1	2
	756	694
<b>Net income</b>	756	694

(1) The Company was incorporated on September 14, 2001 and, accordingly, only had substantial operations for 172 days commencing from March 13, 2002 when it acquired its initial four properties.

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**For the Period from September 1, 2002**  
**to February 28, 2003**

	<u>September 1, 2002 to</u> <u>February 28, 2003</u> <u>(JPY in Millions)</u>	<u>September 14, 2001 to</u> <u>August 31, 2002</u> <u>(JPY in Millions)</u> <sup>(1)</sup>
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	757	696
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation	295	285
Amortization of organization costs	14	14
Interest expense	49	39
Changes in assets and liabilities:		
Rental receivables	-	(45)
Consumption tax refundable	729	(729)
Accounts payable	(129)	129
Rent received in advance	12	130
Accrued expenses and other liabilities	22	169
Others, net	(34)	(102)
Sub-total	<u>1,715</u>	<u>586</u>
Cash payments of organization costs	<u>-</u>	<u>(125)</u>
Net cash provided by operating activities	1,715	461
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(2,008)	(41,599)
Proceeds from tenant leasehold and security deposits	<u>963</u>	<u>10,229</u>
Net cash used in investing activities	(1,045)	(31,370)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	4,830	4,830
Repayments of short-term debt	(4,830)	-
Proceeds from long-term debt	-	4,170
Proceeds from issuance of investment units	-	23,662
Dividend Payment	<u>(689)</u>	<u>-</u>
Net cash provided by financing activities	<u>(689)</u>	<u>32,662</u>
<b>Net change in cash and cash equivalents</b>	(19)	1,753
<b>Cash and cash equivalents at beginning of period</b>	<u>1,753</u>	<u>-</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>1,734</u></u>	<u><u>1,753</u></u>

*(1) The Company was incorporated on September 14, 2001 and, accordingly, only had substantial operations for 172 days commencing from March 13, 2002 when it acquired its initial four properties.*

**Property Portfolio Summary 1**

<u>Name of Property</u>	<u>Year(s) Built</u>	<u>Location of Property</u>	<u>Date Acquired</u>	<u>Ownership Percentage</u>	<u>Acquisition</u>	<u>Appraisal</u>	<u>Percentage of Total Portfolio</u>
					<u>Price (JPY in Millions)</u>	<u>Value as of February 28, 2003 (JPY in Millions)</u>	
				%			%
Osaka Shinsaibashi Building	1999	Osaka City, Osaka	March 13, 2002	100.0	14,300	14,600	33.8
Sendai Nakayama Shopping Center	1995-1999	Sendai City, Miyagi	March 13, 2002	100.0	10,200	10,200	23.6
ESPA Kawasaki	2000	Kawasaki-City, Kanagawa	March 13, 2002	80.4	8,117	10,100	23.4
			December 10, 2002	19.6	1,974		
JUSCO Chigasaki Shopping Center	2000	Chigasaki City, Kanagawa	March 13, 2002	100.0	8,300	8,320	19.2
<b>Total</b>					<b>42,891</b>	<b>43,220</b>	<b>100.0</b>

**Property Portfolio Summary 2**

<b><u>Name of Property</u></b>	<b><u>Number of Tenants</u></b>	<b><u>Net Book Value</u></b>	<b><u>Leasable Space</u></b> <b><u>(sq m)</u></b>	<b><u>Leased Area</u></b> <b><u>(sq m)</u></b>	<b><u>Occupancy</u></b>	<b><u>Rental Revenue (JPY in Millions)</u></b>	<b><u>Percentage of Total Revenue</u></b>
		<b><u>as of February 28, 2003 (JPY in Millions)</u></b>			<b><u>Rate as of February 28, 2003</u></b> %		%
Osaka Shinsaibashi Building	1	14,324	13,667.0	13,667.0	100	418	28.8
Sendai Nakayama Shopping Center	2	10,227	46,249.0	46,249.0	100	448	30.8
ESPA Kawasaki	1	10,146	56,891.2	56,891.2	100	313	21.5
JUSCO Chigasaki Shopping Center	1	8,330	63,652.3	63,652.3	100	274	18.9
<b>Total</b>	<b>5</b>	<b>43,027</b>	<b>180,459.5</b>	<b>180,459.5</b>	<b>100</b>	<b>1,453</b>	<b>100.0</b>