



Japan Retail Fund Investment Corporation

Third Fiscal Period Results
(March 1, 2003 – August 31, 2003)

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October 23, 2003

Japan Retail Fund Investment Corporation
Announcement of Third Fiscal Period Results

Distribution Per Unit +4.1% Above Estimates

Summary of Financial Results

Japan Retail Fund Investment Corporation ("JRF"; TSE ticker code: 8953) today announced the financial results of its third fiscal period for the six-months ending August 31, 2003.

For the third fiscal period, JRF reported gross revenues of ¥5,920 million, operating income of ¥2,572 million, income before income taxes of ¥2,303 million, net income of ¥2,302 million and earnings and cash distributions per unit of ¥15,095. The cash distributions per unit exceeded the estimate of ¥14,504 reported to the Tokyo Stock Exchange on April 23, 2003 by 4.1%.

As of August 31, 2003, JRF's property portfolio consisted of ten retail properties and was independently appraised at ¥114,900 million in aggregate.

The assets of JRF totaled ¥126,378 million as of August 31, 2003, long term interest bearing debt was ¥4,170 million and total unitholders' equity was ¥76,223 million, or ¥499,820 per unit, with a total of 152,502 units outstanding.

"We are quite pleased with these operating results," said Mr. Yuichi Hiromoto, JRF's Executive Director as well as the President and Chief Executive Officer of JRF's Asset Manager, Mitsubishi Corp.-UBS Realty Inc. "In our view, these results demonstrate the continued strong performance of our retail property ownership business and the strength and quality of our properties, which continue to deliver a steady basis for on-going distributions per unit."

Third Fiscal Period Highlights

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 were issued in connection with an International Offering pursuant to 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 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.

On June 16, 2003, JRF acquired Ito-Yokado Yabashira Shopping Center for ¥1,616 million. The acquisition was financed through a combination of cash on hand and the assumption of ¥450 million in non-interest bearing security deposits due upon lease termination in October 2008.

Bank Borrowings and Credit Facilities: The Company repaid its outstanding short-term borrowings of ¥4,830 million on March 31, 2003.

On July 16, 2003, JRF obtained a commitment line of ¥3 billion from a financial institution for a 12-month period, with a renewal option. The purpose of this line is to free up cash resources dedicated as reserves for the repayment of tenant deposits.

Leverage: As of August 31, 2003, JRF's overall leverage level was 37.9% (3.3% excluding tenant deposits).

JRF's Portfolio Profile: As of August 31, 2003, JRF's portfolio was comprised of ten retail properties with 410,449 square meters of leaseable space and with a weighted average building age of 6.8 years.

Acquisition after Balance Sheet Date

Additional Acquisition: On September 18, 2003, JRF completed the acquisition of the Ito-Yokado Kamifukuoka-Higashi Shopping Center for ¥6.9 billion. The acquisition was financed through a combination of cash on hand and the assumption of ¥2,160 million in non-interest bearing security deposits due upon lease termination in September 2019, with the remainder of ¥3,500 million from bank borrowings.

Forecasts for the Fourth and Fifth Accounting Periods

Performance Forecasts: For the fourth accounting period from September 1, 2003 to February 29, 2004, JRF estimates gross revenue at ¥6,368 million and net income at ¥2,372 million, or ¥15,553 per unit. For the fifth accounting period from March 1, 2004 to August 31, 2004, JRF estimates gross revenue at ¥6,371 million and net income at ¥2,006 million, or ¥13,153 per unit. The forecast decline in fifth accounting period gross revenue and net income is primarily attributable to increases in property tax expense. In accordance with Generally Accepted Accounting Principles in Japan, property taxes are capitalized in the year of acquisition. Our forecasts assume no property acquisitions during the fourth and fifth accounting periods apart from the September 18, 2003 acquisition described in the previous paragraph.

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 fourth and fifth 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.

As of the date of this announcement, JRF owns eleven retail properties containing approximately 439,000 square meters of leaseable space, with a weighted average building age of 6.8 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 SHEETS
As of August 31, 2003 and February 28, 2003

	<u>August 31, 2003</u> <u>(JPY in Millions)</u>	<u>February 28, 2003</u> <u>(JPY in Millions)</u>
ASSETS		
Current assets:		
Cash and cash equivalents	7,178	1,734
Rental receivables	310	45
Consumption tax refundable	1,586	—
Prepaid expenses and other assets	225	16
<i>Total current assets</i>	<u>9,299</u>	<u>1,795</u>
Non-current assets:		
Property and equipment, at cost:		
Land	62,441	27,552
Buildings	48,033	14,982
Building improvements	1,936	995
Machinery and equipment	377	79
	<u>112,787</u>	<u>43,608</u>
Less: Accumulated depreciation	<u>(1,420)</u>	<u>(580)</u>
<i>Net property and equipment</i>	<u>111,367</u>	<u>43,028</u>
Other assets:		
Leasehold rights	2,468	—
Other intangible assets	98	—
Deposits	2,843	—
Long-term prepaid expenses	30	33
Organization costs	84	97
Other	189	59
<i>Total other assets</i>	<u>5,712</u>	<u>189</u>
TOTAL ASSETS	<u><u>126,378</u></u>	<u><u>45,012</u></u>

JAPAN RETAIL FUND INVESTMENT CORPORATION
BALANCE SHEETS
As of August 31, 2003 and February 28, 2003

	<u>August 31, 2003</u> <u>(JPY in Millions)</u>	<u>February 28, 2003</u> <u>(JPY in Millions)</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	—	4,830
Rent received in advance	368	142
Accrued expenses and other liabilities	1,910	200
<i>Total current liabilities</i>	<u>2,278</u>	<u>5,172</u>
Non-current liabilities:		
Long-term debt	4,170	4,170
Tenant leasehold and security deposits	43,704	11,192
Other	3	59
<i>Total non-current liabilities</i>	<u>47,877</u>	<u>15,421</u>
TOTAL LIABILITIES	<u>50,155</u>	<u>20,593</u>
Unitholders' equity:		
Unitholders' capital, 2,000,000 units authorized,		
152,502 units issued and outstanding	73,921	23,662 (1)
Retained earnings	2,302	757
TOTAL UNITHOLDERS' EQUITY	<u>76,223</u>	<u>24,419</u>
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	<u><u>126,378</u></u>	<u><u>45,012</u></u>

(1) 52,400 units issued and outstanding as of February 28, 2003

JAPAN RETAIL FUND INVESTMENT CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Six Months Ended
August 31, 2003 and February 28, 2003

	<u>March 1, 2003 to</u> <u>August 31, 2003</u> <u>(JPY in Millions)</u>	<u>September 1, 2002 to</u> <u>February 28, 2003</u> <u>(JPY in Millions)</u>
Operating revenues		
Rental and other operating revenues	5,920	1,453
Operating expenses		
Property-related expenses	2,886	341
Asset management fees	362	132
Custodian fees	9	9
General administration fees	47	28
Other	44	29
	<u>3,348</u>	<u>539</u>
Operating income	2,572	914
Non-operating revenues		
Non-operating revenues	—	1
Non-operating expenses		
Interest expense	27	49
Offering costs	214	82
Amortization of organization costs	14	14
Other non-operating expenses	14	12
	<u>2,303</u>	<u>757</u>
Income before income taxes		
Income taxes	1	1
Net income	<u><u>2,302</u></u>	<u><u>756</u></u>

JAPAN RETAIL FUND INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Six Months Ended
August 31, 2003 and February 28, 2003

	<u>March 1, 2003 to</u> <u>August 31, 2003</u> <u>(JPY in Millions)</u>	<u>September 1, 2002 to</u> <u>February 28, 2003</u> <u>(JPY in Millions)</u>
Cash Flows from Operating Activities:		
Income before income taxes	2,303	757
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation	844	295
Amortization of organization costs	14	14
Interest expense	27	49
Changes in assets and liabilities:		
Consumption tax refundable	(1,586)	729
Accounts payable	333	(129)
Rent received in advance	225	12
Accrued expenses and other liabilities	1,055	22
Other, net	(179)	(34)
Net cash provided by operating activities	<u>3,036</u>	<u>1,715</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(71,749)	(2,008)
Proceeds from tenant leasehold and security deposits	32,511	963
Payment of deposits	(3,029)	—
Net cash used in investing activities	<u>(42,267)</u>	<u>(1,045)</u>
Cash Flows from Financing Activities:		
Proceeds from short-term debt	—	4,830
Repayments of short-term debt	(4,830)	(4,830)
Proceeds from issuance of investment units	50,259	—
Dividend payment	(754)	(689)
Net cash provided by/(used in) financing activities	<u>44,675</u>	<u>(689)</u>
Net change in cash and cash equivalents	<u>5,444</u>	<u>(19)</u>
Cash and cash equivalents at beginning of period	<u>1,734</u>	<u>1,753</u>
Cash and cash equivalents at end of period	<u><u>7,178</u></u>	<u><u>1,734</u></u>

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 Price (JPY in Millions)</u>	<u>Appraisal Value as of August 31, 2003 (JPY in Millions)</u>	<u>Percentage of Total Portfolio %</u>
Osaka Shinsaibashi Building	1999	Osaka City, Osaka	13-Mar-02	100	14,300	14,600	13%
Sendai Nakayama Shopping Center	1995-1999	Sendai City, Miyagi	13-Mar-02	100	10,200	10,200	9%
ESPA Kawasaki	2000	Kawasaki-City, Kanagawa	13-Mar-02	80.4	8,117	10,200	9%
			10-Dec-02	19.6	1,974		
JUSCO Chigasaki Shopping Center	2000	Chigasaki City, Kanagawa	13-Mar-02	100	8,300	8,350	7%
Nara Family	1992	Nara, Nara	6-Mar-03	100	31,241	31,700	27%
8953 Hakata Riverain	1996	Fukuoka, Fukuoka	4-Mar-03	100	12,600	13,300	12%
Abiko Shopping Center	1994	Abiko, Chiba	4-Mar-03	100	10,200	10,900	9%
Ito-Yokado Narumi	1997	Nagoya, Aichi	4-Mar-03	100	8,540	8,550	7%
Minami Aoyama 2002 Building	2002	Minato Ward, Tokyo	4-Mar-03	100	5,350	5,350	5%
Ito-Yokado Yabashira Shopping Center	1982	Matsudo, Chiba	16-Jun-03	100	1,616	1,750	2%
Total					112,438	114,900	100%

Property Portfolio Summary 2

<u>Name of Property</u>	<u>Number of Tenants</u>	<u>Net Book Value as of August 31, 2003 (JPY in Millions)</u>	<u>Leasable Space (sq. m.)</u>	<u>Leased Area (sq. m.)</u>	<u>Occupancy Rate as of August 31, 2003 %</u>	<u>Rental Revenue in Third Fiscal Period (JPY in Millions)</u>	<u>Percentage of Total Revenue %</u>
Osaka Shinsaibashi Building	1	14,243	13,666.96	13,666.96	100.0%	418	7%
Sendai Nakayama Shopping Center	2	10,152	46,248.96	46,248.96	100.0%	466	8%
ESPA Kawasaki	1	10,066	56,891.15	56,891.15	100.0%	351	6%
JUSCO Chigasaki Shopping Center	1	8,267	63,652.33	63,652.33	100.0%	275	5%
Nara Family	138	32,438	87,526.45	87,526.45	100.0%	2,219	37%
8953 Hakata Riverain	57	12,711	25,446.35	22,898.19	90.0%	1,073	18%
Abiko Shopping Center	50	10,296	43,415.03	43,366.73	99.9%	592	10%
Ito-Yokado Narumi	1	8,628	50,437.91	50,437.91	100.0%	325	5%
Minami Aoyama 2002 Building	3	5,419	1,582.48	1,582.48	100.0%	168	3%
Ito-Yokado Yabashira Shopping Center	1	1,713	21,581.65	21,581.65	100.0%	33	1%
Total	255	113,933	410,449.27	407,852.81	99.4%	5,920	100%