



**Fifth Fiscal Period Results**  
**(March 1, 2004 – August 31, 2004)**

## **DISCLAIMER**

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The financial statements of JRF have been prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP) which may materially differ in certain respects from generally accepted accounting principles in other jurisdictions.

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October 14, 2004

**Japan Retail Fund Investment Corporation**  
**Announcement of Fifth Fiscal Period Results**

**Distribution Per Unit +3.2% Above Estimates**

**Summary of Financial Results**

Japan Retail Fund Investment Corporation ("JRF"; TSE ticker code: 8953) today announced the financial results of its fifth fiscal period for the six-months ending August 31, 2004.

For the fifth fiscal period, JRF reported gross revenues of ¥8,692 million, operating income of ¥3,471 million, income before income taxes of ¥3,175 million, net income of ¥3,172 million and earnings and cash distributions per unit of ¥14,452. The cash distributions per unit exceeded the estimate of ¥14,008 reported to the Tokyo Stock Exchange on April 15, 2004 by 3.2%.

As of August 31, 2004, JRF's property portfolio consisted of twenty retail properties and was independently appraised at ¥188,750 million in aggregate.

The assets of JRF totaled ¥200,686 million as of August 31, 2004, short-term loans and long-term borrowings were ¥4,760 million and ¥24,170 million, respectively, and total unitholders' equity was ¥119,361 million, or ¥543,781 per unit, with a total of 219,502 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 ongoing distributions per unit."

## **Fifth Fiscal Period Highlights**

**Operating Environment:** On March 2, 2004, JRF completed its third public offering totaling 67,000 new investment units at a price of ¥654,910 per unit, 44,300 of such units were issued in connection with a Japanese Primary Offering, and the remaining 22,700 of such units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. Net proceeds of approximately ¥42.3 billion from these Offerings were primarily utilized towards the acquisition of two additional retail properties on March 2, 2004, namely Esquisse Omotesando and AEON Sapporo Naebo Shopping Center, for an aggregate purchase price of ¥23.8 billion, and the remaining balance utilized to partially repay its outstanding short-term borrowings incurred in connection with the acquisitions of six properties in the preceding fiscal period.

On April 30, 2004, JRF acquired Esquisse Omotesando Annex for ¥860 million. The acquisition was financed through a combination of cash on hand and the assumption of ¥65 million in non-interest bearing security deposits due upon the termination of the lease contract.

On June 24, 2004, JRF completed the acquisition of Ito-Yokado Tsunashima for ¥5,000 million. The acquisition was financed through cash on hand and the assumption of ¥232 million in non-interest bearing security deposits due upon lease termination in March 2012 and short-term bank borrowings totaling ¥4,760 million.

**Bank Borrowings and Credit Facilities:** On March 31, 2004, ¥18.5 billion of the net proceeds from JRF's third public offering in March 2004 was utilized to partially repay its outstanding short-term debts totaling ¥38.5 billion incurred in connection with property acquisitions completed during the previous fiscal period. The remainder of ¥20 billion was restructured into a 5-year term loan of ¥5 billion obtained from a financial institution, and the balance into a 5-year term loan of ¥5 billion and a 2-year term loan of ¥10 billion obtained from a bank syndicate.

**Leverage:** As of August 31, 2004, JRF's overall leverage level was 39.3% (14.4% excluding tenant deposits).

**JRF's Portfolio Profile:** As of August 31, 2004, JRF's portfolio was comprised of

twenty retail properties with 818,436 square meters of leaseable space and with a weighted average building age of 8.1 years.

### **Acquisition after Balance Sheet Date**

***Additional Acquisition:*** On September 29, 2004, JRF completed the acquisition of Bic Camera Tachikawa for ¥11,920 million. The acquisition was financed through the assumption of ¥712 million non-interest bearing security deposits due upon lease termination and the remainder from short-term bank loans.

### **Forecasts for the Sixth and Seventh Accounting Periods**

***Performance Forecasts:*** For the sixth accounting period from September 1, 2004 to February 28, 2005, JRF estimates gross revenue at ¥9,104 million and net income at ¥3,232 million, or ¥14,724 per unit. For the seventh accounting period from March 1, 2005 to August 31, 2005, JRF estimates gross revenue at ¥9,119 million and net income at ¥3,022 million, or ¥13,767 per unit. The forecast decline in distribution per unit in the seventh accounting period, compared to the sixth accounting period, is primarily attributable to increases in property-related tax expense. In accordance with Generally Accepted Accounting Principles in Japan, property-related taxes are capitalized in the year of acquisition. Our forecasts assume no further property acquisitions during the sixth and seventh accounting periods apart from the acquisition in September 2004 as 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 sixth and seventh 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 owned twenty-one retail properties containing approximately 840,147 square meters of leaseable space, with a weighted average building age of 9.6 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 February 29, 2004 and August 31, 2004**

	<u>February 29, 2004</u>	<u>August 31, 2004</u>
	<u>(JPY in Millions)</u>	<u>(JPY in Millions)</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	6,125	8,359
Rental receivables	398	423
Consumption tax refundable	912	203
Prepaid expenses and other assets	245	218
<b>Total current assets</b>	<u>7,680</u>	<u>9,203</u>
<b>Non-current assets:</b>		
<b>Property and equipment, at cost:</b>		
Land	85,644	106,802
Buildings	67,814	76,866
Building improvements	3,507	3,787
Machinery and equipment	835	993
	<u>157,800</u>	<u>188,448</u>
Less: Accumulated depreciation	(2,494)	(3,985)
<b>Net property and equipment</b>	<u>155,306</u>	<u>184,463</u>
<b>Other assets:</b>		
Leasehold rights	3,595	3,692
Other intangible assets	123	125
Deposits	2,835	2,819
Long-term prepaid expenses	41	53
Organization costs	70	56
Other	241	275
<b>Total other assets</b>	<u>6,905</u>	<u>7,020</u>
<b>TOTAL ASSETS</b>	<u><u>169,891</u></u>	<u><u>200,686</u></u>

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**BALANCE SHEETS**

As of February 29, 2004 and August 31, 2004

	<u>February 29, 2004</u> <u>(JPY in Millions)</u>	<u>August 31, 2004</u> <u>(JPY in Millions)</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	38,528	4,760
Rent received in advance	553	648
Accrued expenses and other liabilities	1,913	1,719
<b><i>Total current liabilities</i></b>	<u>40,994</u>	<u>7,127</u>
<b>Non-current liabilities:</b>		
Long-term debt	4,170	24,170
Tenant leasehold and security deposits	48,184	49,961
Other	42	67
<b><i>Total non-current liabilities</i></b>	<u>52,396</u>	<u>74,198</u>
<b>TOTAL LIABILITIES</b>	<u>93,390</u>	<u>81,325</u>
<b>Unitholders' equity:</b>		
Unitholders' capital, 2,000,000 units authorized, 152,502 units (as of February 29, 2004) and 219,502 units (as of August 31, 2004) issued and outstanding	73,921	116,189
Retained earnings	2,580	3,172
<b>TOTAL UNITHOLDERS' EQUITY</b>	<u>76,501</u>	<u>119,361</u>
<b>TOTAL LIABILITIES AND UNITHOLDERS' EQUITY</b>	<u><u>169,891</u></u>	<u><u>200,686</u></u>



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

**For the Six Months Ended**

**February 29, 2004 and August 31, 2004**

	<u>September 1, 2003 to</u> <u>February 29, 2004</u> <u>(JPY in Millions)</u>	<u>March 1, 2004 to</u> <u>August 31, 2004</u> <u>(JPY in Millions)</u>
<b>Operating revenues</b>		
Rental and other operating revenues	6,948	8,692
<b>Operating expenses</b>		
Property-related expenses	3,465	4,422
Asset management fees	473	598
Custodian fees	23	33
General administration fees	59	87
Other	58	81
	<hr/> 4,078	<hr/> 5,221
<b>Operating income</b>	2,870	3,471
<b>Non-operating revenues</b>		
Non-operating revenues	15	20
<b>Non-operating expenses</b>		
Interest expense	106	142
Offering costs	158	99
Amortization of organization costs	14	14
Other non-operating expenses	26	61
	<hr/> 2,581	<hr/> 3,175
<b>Income before income taxes</b>	2,581	3,175
Income taxes	1	3
	<hr/> 2,580	<hr/> 3,172
<b>Net income</b>	<hr/> 2,580	<hr/> 3,172

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**

**For the Six Months Ended**

**February 29, 2004 and August 31, 2004**

	<u>September 1, 2003 to</u> <u>February 29, 2004</u> <u>(JPY in Millions)</u>	<u>March 1, 2004 to</u> <u>August 31, 2004</u> <u>(JPY in Millions)</u>
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	2,581	3,175
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation	1,081	1,497
Amortization of organization costs	14	14
Interest expense	106	142
Loss on disposal of fixed assets	45	23
Changes in assets and liabilities:		
Consumption tax refundable	675	709
Accounts payable	(319)	122
Rent received in advance	185	95
Accrued expenses and other liabilities	37	(144)
Other, net	50	(329)
Net cash provided by operating activities	4,455	5,304
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(46,217)	(30,777)
Proceeds from tenant leasehold and security deposits	4,480	1,777
Payment of deposits	(4)	8
Net cash used in investing activities	(41,741)	(28,992)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	38,528	4,760
Repayments of short-term debt	–	(38,528)
Proceeds from long-term debt	–	20,000
Proceeds from issuance of investment units	–	42,267
Distribution payments	(2,295)	(2,577)
Net cash provided by financing activities	36,233	25,922
<b>Net change in cash and cash equivalents</b>	(1,053)	2,234
<b>Cash and cash equivalents at beginning of period</b>	7,178	6,125
<b>Cash and cash equivalents at end of period</b>	6,125	8,359

**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 %</u>	<u>Acquisition Price (JPY in Millions)</u>	<u>Appraisal Value as of August 31, 2004 (JPY in Millions)</u>	<u>% of Total Portfolio</u>
<b>Tokyo 23 Wards</b>							
8953 Minami Aoyama Building	2002	Minato Ward, Tokyo	4-Mar-03	100	5,350	5,330	2.8%
8953 Daikanyama DK Building	1991	Shibuya Ward, Tokyo	10-Dec-03	100	1,235	1,260	0.7%
8953 Harajuku FACE Building	1985	Shibuya Ward, Tokyo	9-Jan-04	100	2,770	2,780	1.5%
Esquisse Omotesando	1982	Shibuya Ward, Tokyo	2-Mar-04	100	14,500	14,500	7.6%
Esquisse Omotesando Annex	1997	Shibuya Ward, Tokyo	30-Apr-04	100	860	900	0.5%
<b>subtotal</b>					<b>24,715</b>	<b>24,770</b>	<b>13.1%</b>
<b>Greater Tokyo Metropolitan Area</b>							
ESPA Kawasaki	2000	Kawasaki, Kanagawa	13-Mar-02	80.4	8,117	10,200	5.4%
			10-Dec-02	19.6	1,974		
JUSCO Chigasaki Shopping Center	2000	Chigasaki, Kanagawa	13-Mar-02	100	8,300	8,000	4.2%
Abiko Shopping Plaza	1994	Abiko, Chiba	4-Mar-03	100	10,200	10,800	5.8%
Ito-Yokado Yabashira	1982	Matsudo, Chiba	16-Jun-03	100	1,616	1,750	0.9%
Ito-Yokado Kamifukuoka-higashi	1999	Kamifukuoka, Saitama	18-Sep-03	100	6,900	6,800	3.6%
Ito-Yokado Nishikicho	2003	Warabi, Saitama	28-Nov-03	100	13,212	13,100	7.0%
Ito-Yokado Tsunashima	1982	Yokohama, Kanagawa	24-Jun-04	100	5,000	5,000	2.6%
<b>subtotal</b>					<b>55,319</b>	<b>55,650</b>	<b>29.5%</b>
<b>Osaka, Nagoya and Surrounding Areas</b>							
8953 Osaka Shinsaibashi Building	1999	Osaka, Osaka	13-Mar-02	100	14,300	14,400	7.6%
Ito-Yokado Narumi	1997	Nagoya, Aichi	4-Mar-03	100	8,540	8,420	4.5%
Nara Family	1992, 1993	Nara, Nara	6-Mar-03	100	31,241	32,400	17.2%
AEON Higashiura Shopping Center	2001	Chita, Aichi	15-Jan-04	100	6,700	6,860	3.6%
<b>subtotal</b>					<b>60,781</b>	<b>62,080</b>	<b>32.9%</b>
<b>Other Major Cities</b>							
Sendai Nakayama Shopping Center	1995-1999	Sendai, Miyagi	13-Mar-02	100	10,200	10,700	5.7%
Hakata Riverain	1998	Fukuoka, Fukuoka	4-Mar-03	100	12,600	13,400	7.1%
AEON Kashiihama Shopping Center	2003	Fukuoka, Fukuoka	29-Jan-04	100	13,300	12,900	6.8%
AEON Sapporo Naebo Shopping Center	2003	Sapporo, Hokkaido	2-Mar-04	100	9,260	9,250	4.9%
<b>subtotal</b>					<b>45,360</b>	<b>46,250</b>	<b>24.5%</b>
<b>Grand Total</b>					<b>186,175</b>	<b>188,750</b>	<b>100.0%</b>

**Property Portfolio Summary 2**

<u>Name of Property</u>	<u>Number of Tenants</u>	<u>Net Book Value as of August 31, 2004 (JPY in Millions)</u>	<u>Leasable Space (sq. m.)</u>	<u>Leased Area (sq. m.)</u>	<u>Occupancy Rate as of August 31, 2004</u>	<u>Rental Revenue in Fifth Fiscal Period (JPY in Millions)</u>	<u>% of Total Revenue</u>
<b>Tokyo 23 Wards</b>							
8953 Minami Aoyama Building	3	5,401	1,582.48	1,582.48	100.0%	169	2.0%
8953 Daikanyama DK Building	1	1,280	574.46	574.46	100.0%	39	0.4%
8953 Harajuku FACE Building	5	2,803	1,477.62	1,477.62	100.0%	91	1.0%
Esquisse Omotesando	18	14,664	3,798.42	3,361.39	88.5%	411	4.8%
Esquisse Omotesando Annex	1	895	540.78	540.78	100.0%	18	0.2%
<b>subtotal</b>	<b>28</b>	<b>25,043</b>	<b>7,973.76</b>	<b>7,536.73</b>		<b>728</b>	<b>8.4%</b>
<b>Greater Tokyo Metropolitan Area</b>							
ESPA Kawasaki	1	9,904	56,891.15	56,891.15	100.0%	352	4.0%
JUSCO Chigasaki Shopping Center	1	8,147	63,652.33	63,652.33	100.0%	274	3.2%
Abiko Shopping Plaza	51	10,236	43,415.03	43,415.03	100.0%	688	7.9%
Ito-Yokado Yabashira	1	1,673	21,581.65	21,581.65	100.0%	78	0.9%
Ito-Yokado Kamifukuoka-higashi	1	6,898	28,316.18	28,316.18	100.0%	256	2.9%
Ito-Yokado Nishikicho	1	13,384	72,957.52	72,957.52	100.0%	443	5.1%
Ito-Yokado Tsunashima	1	5,210	17,502.06	17,502.06	100.0%	67	0.8%
<b>subtotal</b>	<b>57</b>	<b>55,452</b>	<b>304,315.92</b>	<b>304,315.92</b>		<b>2,158</b>	<b>24.8%</b>
<b>Osaka, Nagoya and Surrounding Area</b>							
8953 Osaka Shinsaibashi Building	1	14,085	13,666.96	13,666.96	100.0%	419	4.8%
Ito-Yokado Narumi	1	8,480	50,437.91	50,437.91	100.0%	330	3.8%
Nara Family	136	32,114	85,350.25	85,350.25	100.0%	2,258	26.0%
AEON Higashiura Shopping Center	1	6,900	100,457.69	100,457.69	100.0%	376	4.3%
<b>subtotal</b>	<b>139</b>	<b>61,579</b>	<b>249,912.81</b>	<b>249,912.81</b>		<b>3,383</b>	<b>38.9%</b>
<b>Other Major Cities</b>							
Sendai Nakayama Shopping Center	2	10,003	46,248.96	46,248.96	100.0%	466	5.4%
Hakata Riverain	80	13,146	25,742.69	25,669.76	99.7%	1,128	13.0%
AEON Kashiihama Shopping Center	1	13,720	109,616.72	109,616.72	100.0%	478	5.5%
AEON Sapporo Naebo Shopping Center	1	9,337	74,625.52	74,625.52	100.0%	351	4.0%
<b>subtotal</b>	<b>84</b>	<b>46,206</b>	<b>256,233.89</b>	<b>256,160.96</b>		<b>2,423</b>	<b>27.9%</b>
<b>Grand Total</b>	<b>308</b>	<b>188,280</b>	<b>818,436.38</b>	<b>817,926.42</b>	<b>99.9%</b>	<b>8,692</b>	<b>100.0%</b>