



Japan Retail Fund Investment Corporation



8953

August 2010 (17th) Period Results

<http://www.jrf-reit.com/english/index.html>



Executive Summary

»» Distribution Per Unit for August 2010 (17th) Period

- ✓ 3,657 yen, 6.1% higher than the previous period





»» Management Highlights

- ✓ Increased scale of assets through the merger with LaSalle Japan REIT, Inc. (LJR)
- ✓ Resolved certain issues at the time of the merger through the sale of non-core properties (18 office / residential properties)
- ✓ Increased portfolio yield through replacement of properties (sale of 1 property and acquisition of 7 properties)
- ✓ Maintained and improved property competitiveness by changing tenant mix at a GMS (general merchandise store)

»» Bottoming out of real estate, retail and financial environments points towards a recovery trend in some areas

»» Distributions headed for further growth

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1. Performance Report

8953

August 2010 (17th) Period Performance

(mil. yen)

	Feb. 2010 Period (16th)	Aug. 2010 Period			Aug. 2010 Period		
		(17th)	Change from previous period	Change from previous period(%)	(Estimate at beginning of Period)	Difference from actual	Difference from actual (%)
Operating revenue	20,035	23,326	+3,291	+16.4%	23,293	+33	+0.1%
Operating expenses	12,505	14,428	+1,922	+15.4%	-	-	-
Operating Income	7,529	8,898	+1,368	+18.2%	8,784	+114	+1.3%
Non-operating revenue	7	8	+0	+8.4%	-	-	-
Non-operating expenses	2,190	3,013	+822	+37.5%	-	-	-
Recurring Profit	5,346	5,893	+547	+10.2%	5,678	+215	+3.8%
Net income ^(Note 1)	5,329	13,093	+7,764	+145.7%	12,870	+223	+1.7%
Total Distribution (mil. yen)	5,329	6,173	+844	+15.8%	5,991	+182	+3.0%
(yen)							
Distribution per Unit ^(Note 2)	13,788	3,657	+210	+6.1%	3,548	+109	+3.1%
FFO per Unit ^(Notes 2,3)	26,365	6,846	+255	+3.9%	6,769	+77	+1.1%
FFO payout ratio	52.3%	53.4%	+1.1%	-	52.4%	+1.0%	-
Average cost of debt (incl. guarantee deposits)	1.54%	1.74%	+0.20%	-			
Capital expenditures	357	1,442	+1,084	+303.6%			
Maintenance	45	68	+22	+50.1%			
Total	402	1,510	+1,107	+274.9%			
Depreciation	4,861	5,410	+549	+11.3%			

(Note 1) Since net income for the August 2010 Period includes gains on negative goodwill, not all of the amount is a source of payments for distributions.

(Note 2) The change from previous period and change from previous period (%) for the August 2010 Period Distribution Per Unit and FFO are compared to adjusted figures reflecting the 4-for-1 unit split for the February 2010 Period.

(Note 3) (Net income + depreciation + other real estate related depreciation) / total units outstanding

Amount reserved for distributions from gain on negative goodwill	283
✓ Loss on sale of 8953 Saitama Urawa Building	256
✓ Loss on write-off of equipment etc. at Kyoto Family	27

➤ Major factors behind change (17th Period)

Operating Revenue	+3,291
✓ Contribution to profits from assets gained through merger	+3,516
of 3 core properties	+1,825
of 18 non-core properties	+1,691
✓ Contribution to profits (net) from property replacement	△166
Asset acquisition	+525
Sale of 8953 Saitama Urawa Bldg.	△692
Operating Expenses	+1,922
✓ Increased leasing expenses for assets gained through merger	+ 1,536
of 3 core properties	+890
of 18 non-core properties	+645
✓ Decreased expenses (net) from property replacement	△228
Asset acquisition	+106
Sale of 8953 Saitama Urawa Bldg.	△335
✓ Loss on sale of Urawa property	+256
✓ Increased G&A expenses due to the increase of assets from merger	+308
Non-operating Expenses	+822
✓ Increase of borrowing costs assumed from LJR	+836
Net Income	+7,764
✓ Gain on negative goodwill (extraordinary profit)	+7,202

August 2010 (17th) Period Performance

Overview of assets under management

	As of end of Feb. 2010 (End of 16th Period)	As of end of Aug. 2010 (mil. yen)		
		(End of 17th Period)	Change from previous period	Change from previous period (%)
Total assets (1)	578,829	666,843	+88,014	+15.2%
Total liabilities (2)	322,735	387,998	+65,263	+20.2%
Interest-bearing liabilities (3)	248,441	309,848	+61,407	+24.7%
Security deposits, guaranteed deposits (4)	69,251	71,500	+2,249	+3.2%
Net assets	256,093	278,844	+22,751	+8.9%
LTV ((3) / (1))	42.9%	46.5%	+3.5%	-
LTV (((3) + (4)) / (1))	54.9%	57.2%	+2.3%	-
LTV (((3) + (4)) / (1)+(6)))	59.2%	60.8%	+1.6%	-
(mil. yen)				
Number of properties	50	77	+27	-
Book value (4)	554,789	637,727	+82,938	+14.9%
End of term appraisal value (5)	512,641	598,552	+85,911	+16.8%
(6) ((5) - (4))	△ 42,148	△ 39,175	+2,973	△ 7.1%
Negative goodwill	-	7,202	-	-

Percentage change of period end appraisal values compared to previous period

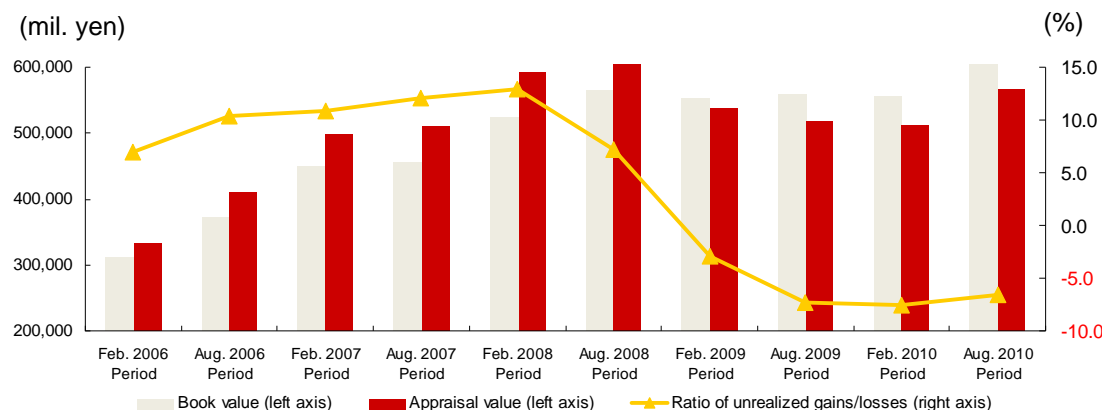
End of Feb. 2009	End of Aug. 2009	End of Feb. 2010	End of Aug. 2010
△ 10.1%	△ 5.1%	△ 1.0%	△ 0.2%

(Note) The percentage change is calculated based on the properties owned at the end of the previous period.

Major factors behind change

		(mil. yen)
Total Assets		+88,014
✓ Increase of assets gained through merger		+90,647
✓ Asset replacement		△ 1,137
Total Liabilities		+65,263
✓ Increase of interest-bearing liabilities assumed through merger		+72,323
✓ Loan repayments (other than LJR)		△ 6,000
Net Assets		+22,751
✓ Increase due to merger		+14,986
✓ Gain on negative goodwill		+7,202

Trend of period end appraisal values - bottoming out of declines



(Note) The period end appraisal values for the Aug. 2010 Period are based on 59 retail properties.

Forecasts for February 2011 (18th) and August 2011 (19th) Periods

	Aug. 2010 Period (17th)	(mil. yen)					
		Feb. 2011 Period			Aug. 2011 Period		
		(18th Period estimate)	Change from previous period	Change from previous period (%)	(19th Period estimate)	Change from previous period	Change from previous period (%)
Operating revenue	23,326	22,817	△ 509	△ 2.2%	21,710	△ 1,107	△ 4.9%
Operating Income	8,898	9,164	+265	+3.0%	8,395	△ 769	△ 8.4%
Recurring Profit	5,893	6,529	+635	+10.8%	5,772	△ 757	△ 11.6%
Net income ^(Note 1)	13,093	6,464	△ 6,629	△ 50.6%	5,770	△ 694	△ 10.7%
Total Distribution	6,173	6,464	291	+4.7%	5,770	-694	△ 10.7%
(yen)							
Distribution per Unit	3,657	3,828	+171	+4.7%	3,417	△ 411	△ 10.7%
FFO per Unit ^(Note 2)	6,846	6,296	△ 550	△ 8.0%	6,466	+170	+2.7%
FFO payout ratio	53.4%	60.8%	+7.4%	-	52.8%	△ 8.0%	-
(%)							
Average cost of debt (incl. guarantee deposits)	1.74%	1.73%	△ 0.01%	-	1.74%	+0.01%	-
(mil. yen)							
Capital expenditures	1,442	841	△ 601	△ 41.7%	1,541	+700	+83.2%
Maintenance	68	107	+39	+57.1%	65	△ 42	△ 39.5%
Total	1,510	948	△ 561	△ 37.2%	1,606	+657	+69.3%
Depreciation and amortization	5,410	5,171	△ 239	△ 4.4%	5,146	△ 25	△ 0.5%

(Note 1) Since net income for the August 2010 Period includes gains on negative goodwill, not all of the amount is a source of payments for distributions.

(Note 2) (Net income + depreciation + other real estate related depreciation) / total units outstanding

➤ Assumptions for the 18th Period (compared to 17th Period)

(mil. yen)

Operating Revenue △510

- ✓ Sale of non-core properties
- ✓ Increase from sales-based rent and lease cancellation fees
- ✓ Decrease of operating revenue due to sale of 8953 Saitama Urawa Building

Operating Expenses △780

- ✓ Decrease of property-related operating expenses
- ✓ Decrease of G&A

Non-operating Revenue △370

- ✓ Decrease of finance-related expenses

➤ Assumptions for the 19th Period (compared to 18th Period)

(mil. yen)

Operating Revenue △1,100

- ✓ Sale of non-core properties
- ✓ Decrease of lease cancellation revenue
- ✓ Rent increase

Operating Expenses △340

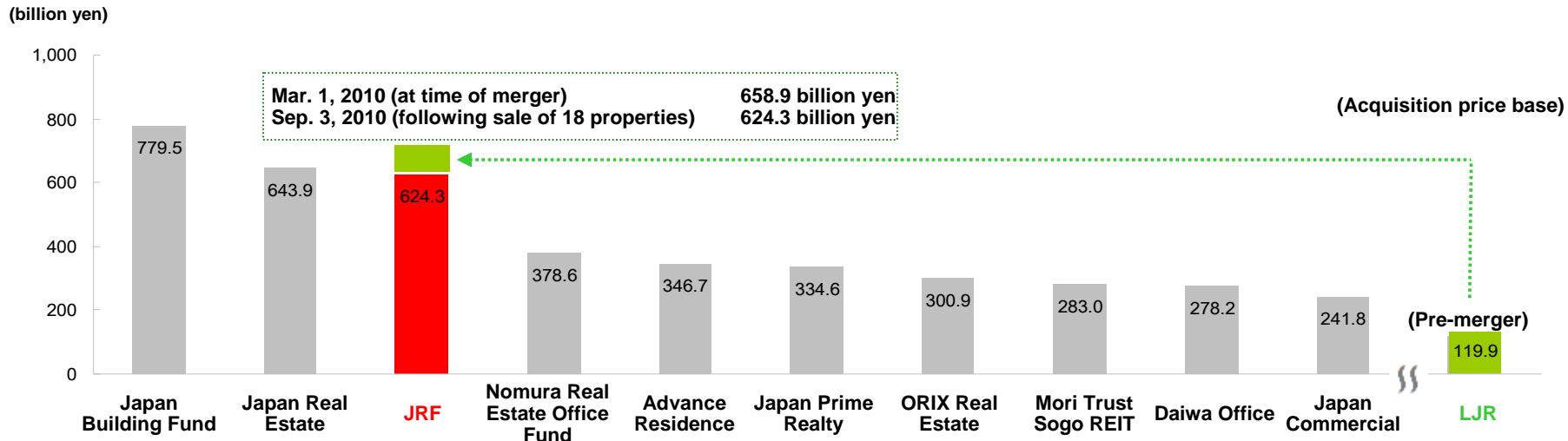
- ✓ Decrease of property-related operating expenses
- ✓ Decrease of SG&A

Non-operating Expenses △10

- ✓ Decrease of finance-related expenses

The Merger and Its Effects

➤ JRF merged with LaSalle Japan REIT on March 1, 2010, and sold 18 non-core properties on September 3, 2010



(Source) ARES J-REIT REPORT(Vol.11); in principle, the values shown are based on those disclosed on each investment corporation's website and by the Tokyo Stock Exchange, as of the end of September 2010.

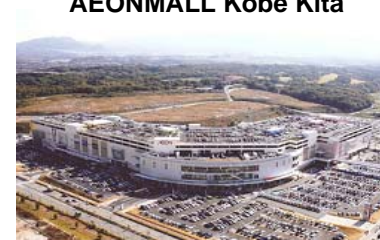
➤ Merger Effects

- ✓ Maintenance and improvement of income stability through acquisition of core retail assets (achieve asset management efficiencies through increased portfolio scale)
- ✓ The stock market market cap. increased approx. 17%, and liquidity improved as a result of the four-for-one unit split
- ✓ Repayment of 6.3 billion yen of loans due to release of security deposits and effective cash management
- ✓ Gain approx. 7.2 billion yen of negative goodwill for future utilization

AEONMALL Musashi Murayama Mu



AEONMALL Kobe Kita



La Porte Aoyama



Resolution of Issues Arising from the Merger

Reduction of LTV (to below 55%) due to sale of non-core properties

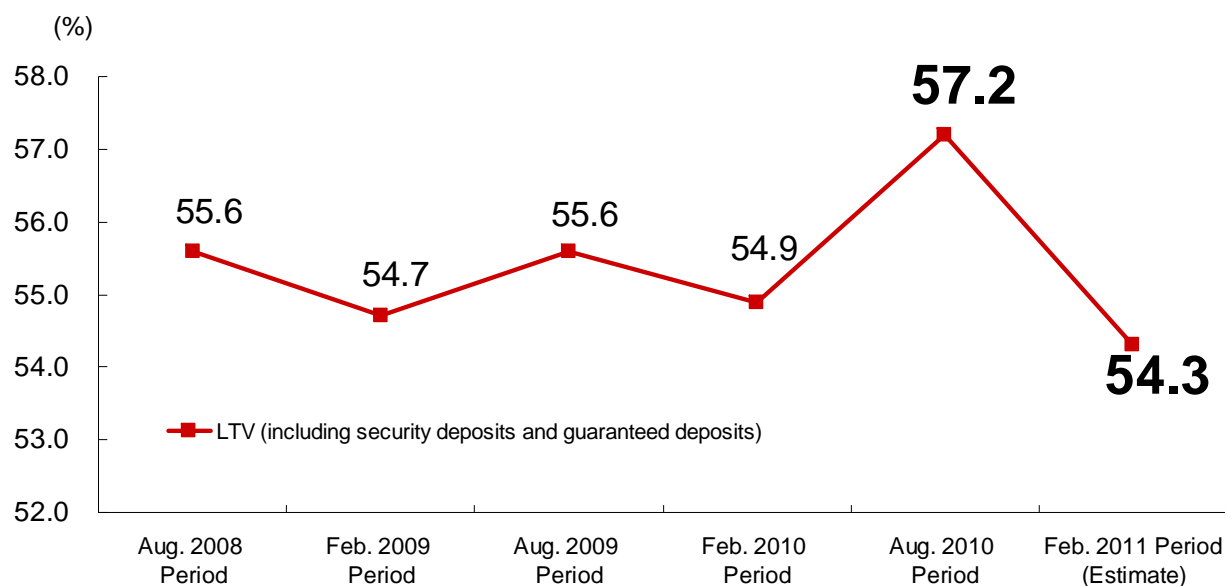
Resolution of issues

Issues at the time of merger	Status of countermeasures
Increase of borrowing costs	<ul style="list-style-type: none"> ✓ Repayment of approx. 33 billion yen, or approximately half of assumed loans ✓ Converted remaining half (35 billion yen) of long-term loans to variable interest rates
Higher LTV	✓ Repayment of loans using proceeds from sale of non-core properties (see chart below)
Concentration of some loan repayment dates	✓ Extended a 35 billion yen loan due in February 2012 by 3 years to March 2015

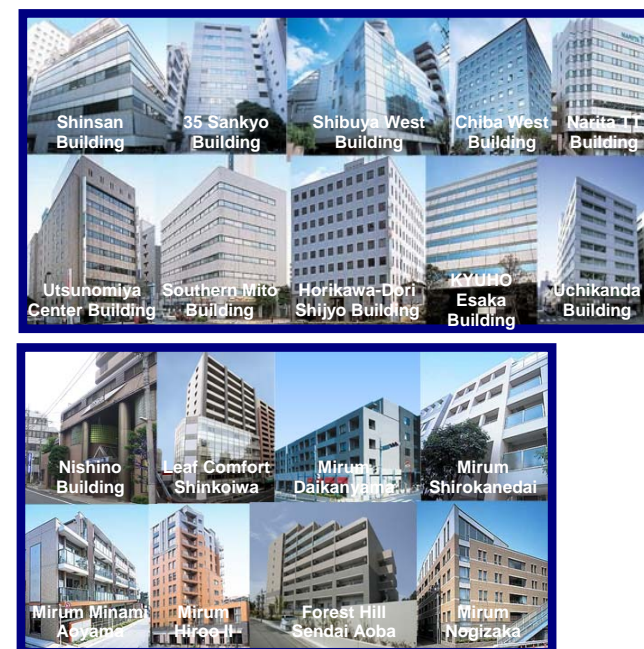
Overview of sales

Number of transferred assets	18 properties (Offices: 10, Residential: 8)
Total book value	32.0 billion yen
Total transfer value	33.2 billion yen
Gain on sale (estimate)	Approx. 1 billion yen
Date of transfer	September 3, 2010

Reduction of LTV to below pre-merger levels



List of non-core properties



Replacement of Properties – Sale: 26.1 billion yen; Acquisitions: 24.3 billion yen

➤➤➤ Carried out replacement of properties in March/April 2010 to increase distributions and improve growth potential of portfolio



8953 Saitama Urawa Bldg.
(Saitama-shi,
Saitama Prefecture)

Sale: Sale of 1 property (Mar. 17, 2010)

**Acquisitions: Acquisition of 7 properties,
including 3 land leasehold properties
(March 23 to April 2, 2010)**



G-Bldg.
Shinjuku 01
(Shinjuku-ku, Tokyo)



G-Bldg.
Jingumae 03
(Shibuya-ku, Tokyo)



G-Bldg.
Minami Ikebukuro 01
(Toshima-ku, Tokyo)



G-Bldg.
Shinsaibashi 01
(Osaka-shi, Osaka)



Life Taiheiji (land-only)
(Higashi Osaka-shi, Osaka)



Life Shimodera (land-only)
(Osaka-shi, Osaka)



Life Kishibe (land-only)
(Suita-shi, Osaka)

**Total NOI and total NOI after depreciation for sale of 1 property
and acquisition of 7 properties**

	Feb. 2010 Period (16th)	Aug. 2010 Period (17th)	Feb. 2011 Period (18th)	Aug. 2011 Period (19th)
NOI (Note1)	661 mil. yen	497 mil. yen	591 mil. yen	559 mil. yen
NOI after depreciation (Note 2)	328 mil. yen	390 mil. yen	536 mil. yen	504 mil. yen
Per Unit NOI after depreciation	194 yen	231 yen	318 yen	298 yen
Per Unit increase of NOI after depreciation (compared to the 16 th Period)	±0	+37 yen	+123 yen	+104 yen

✓ **JRF's first acquisition of land leased to supermarkets : 3 Life properties**

✓ **Acquisition of properties in high foot-traffic areas:**

G-Bldg. Shinjuku 01, G-Bldg. Minami Ikebukuro 01, G-Bldg. Shinsaibashi 01

















✓ **Acquisition of property with future upside potential: G-Bldg. Jingumae 03**

(Note 1) The figures for rental revenue of G-Bldg. Jingumae 03 are based on the assumption of gradually increasing occupancy rates, and the rental amount figures for the Life Kishibe store (land with leasehold), are double from the time of the store opening (September 2010) pursuant to the lease agreement.

(Note 2) The figures for the Feb. 2010 Period (16th) and the Aug. 2010 Period (17th) are actual results, and the figures for the Feb. 2011 Period (18th) and Aug. 2011 Period (19th) are estimates.

2. JRF's Perception of the Environment and the Status of the Portfolio

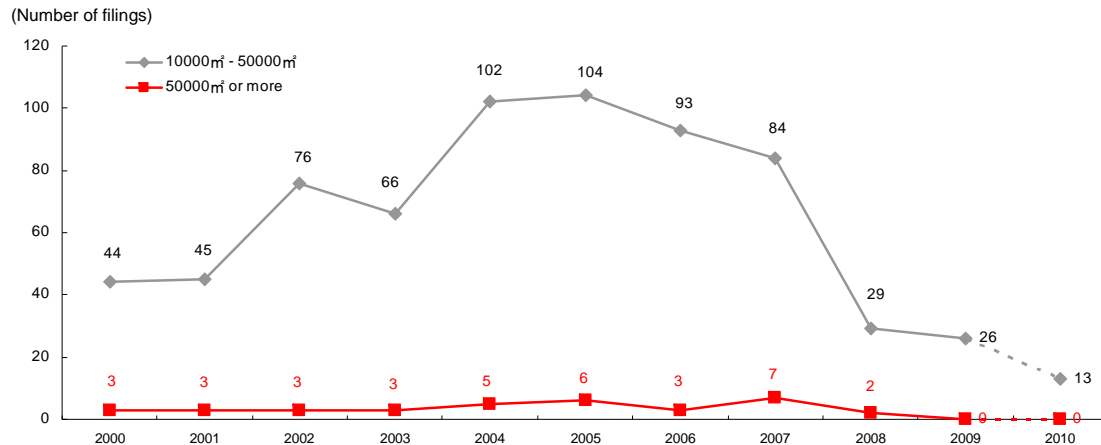
Bottoming of the real estate, retail and financial environments, moving towards a recovery trend in some areas

	April 2009	October 2009	April 2010	October 2010	JRF's perception of the environment
Macro Economy					<ul style="list-style-type: none"> ✓ Avoided the risk of the bottom falling out of the market, due in part to the series of economic measures implemented since last year ✓ Increased uncertainty about the future due to the sharp appreciation of the yen and falling share prices since the middle of the year ✓ If the economic measures targeted mainly at domestic demand are effective, they may contribute to recovery of sales in the retail sector ✓ Announced 500 billion yen buying of J-REITs and ETFs combined, part the Bank of Japan's additional monetary easing measures
Real Estate Environment					<ul style="list-style-type: none"> ✓ Increased acquisition of properties by J-REIT and some private real estate funds with fund-raising capacity ✓ Revival of overseas investors considering new investments due to the current environment's relative cheapness
Retail Environment					<ul style="list-style-type: none"> ✓ Consumers still in saving mode ✓ Improvement in revenues of major retail businesses ✓ Recovery of desire to open stores among leading specialty stores ✓ Moderate recovery of sales at some suburban retail centers ✓ Signs of recovery of sales of urban retail centers with high street frontages
Financial Environment					<ul style="list-style-type: none"> ✓ Resumption of public offering and issuance of unsecured corporate bonds

Sales for suburban properties are recovering due to an improvement of the balance of supply and demand

Large-scale shopping center (over 50,000 m²) openings have peaked

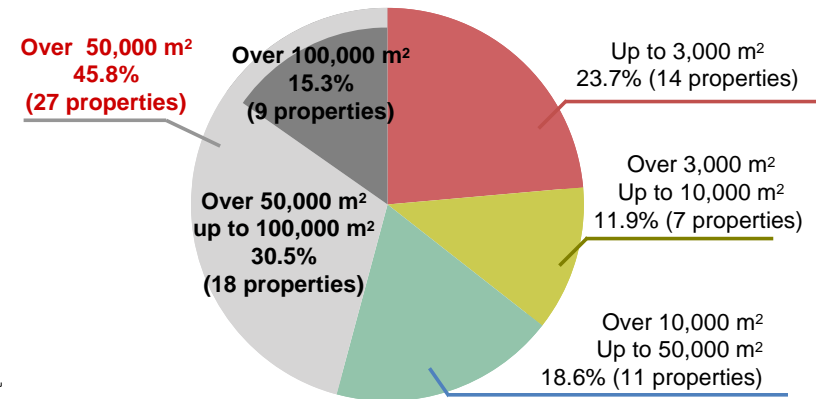
Filings under the Large-Scale Retail Store Location Law [Article 5.1]



Source: Distribution Policy Department of the Commerce and Information Policy Bureau (Ministry of Economy, Trade and Industry) "Filings under the Large-Scale Retail Store Law"

(Note) Data for FY2010 is annualized data from the 4 month period from April 2010 to July 2010.

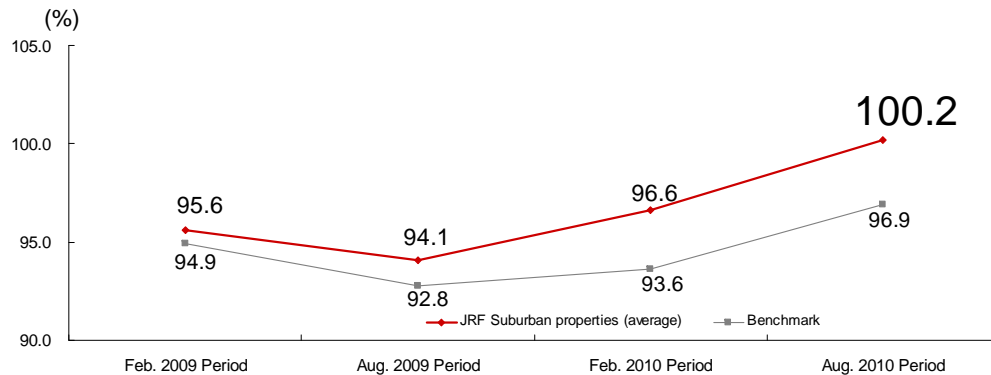
Breakdown of Portfolio Properties by Total Leasable Area



(Total number of retail properties as of the end of Aug. 2010: 59 properties)

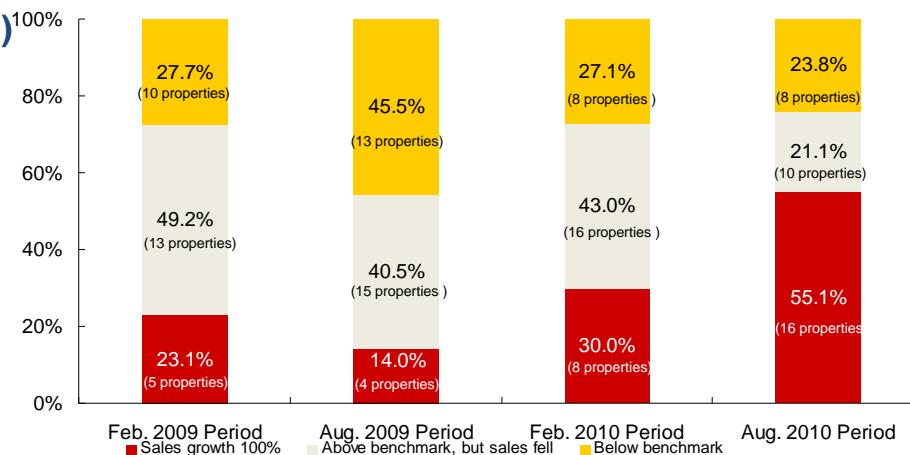
Average net sales outperformed the benchmark, and on average increased slightly

Suburban type: Shifts in net sales (YoY comparison) (annual rent basis)



(Note 1) Figures for sales at its suburban retail properties are based on JRF's research.

(Note 2) The benchmark is based on the Commercial statistics' value of sales at large-scale retail outlets (existing stores) compared to the previous year.

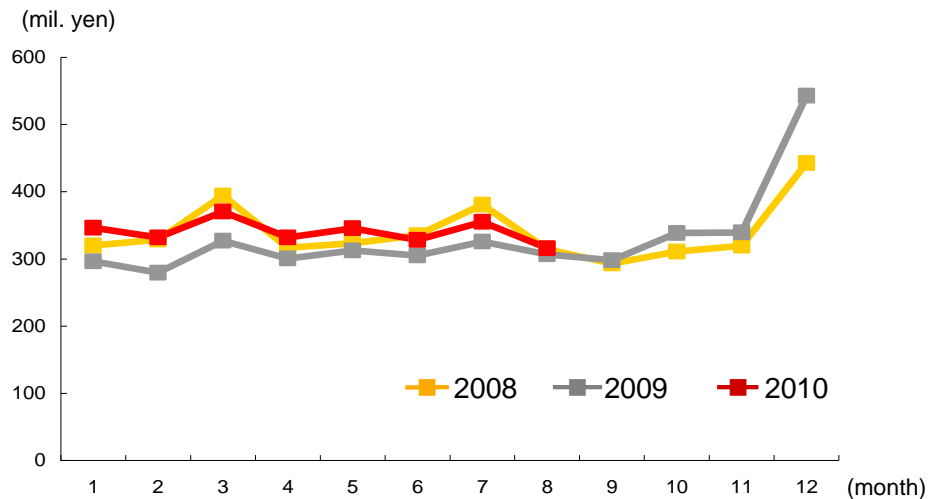


(Note) The composition ratio (%) is calculated based on the annual rent.

Occupancy rate of urban properties bottomed out, and partial recovery of sales

» Sign of recovery of sales from tenants in retail centers facing high streets in the city center

» Sales at GYRE (Urban type flag ship property)



» Various measures taken at GYRE to support sales

With the 3 year anniversary from the re-opening of business, efforts to improve the awareness and increase the number of shoppers include various promotions and leasing that matches merchandising

List of Urban Property Occupancy Rates

»» Most of the urban properties maintain 100% occupancy rates

(As of end of Sep. 2010)

	End Feb.	End Aug.	End Sept.
8953 Harajuku FACE Building	100.00%	100.00%	100.00%
8953 Kita Aoyama Building	100.00%	100.00%	100.00%
8953 Jiyugaoka Building	100.00%	96.85%	100.00%
Cheers Ginza	100.00%	79.42%	100.00%
8953 Jingumae 6 Building	100.00%	100.00%	100.00%
8953 Daikanyama Building	100.00%	100.00%	100.00%
G-Bldg. Minami Ikebukuro 01	-	100.00%	100.00%
8953 Osaka Shinsaibashi Building	100.00%	100.00%	100.00%
Esquisse Omotesando Annex	100.00%	100.00%	100.00%
Bic Camera Tachikawa	100.00%	100.00%	100.00%
Kawaramachi OPA	100.00%	100.00%	100.00%

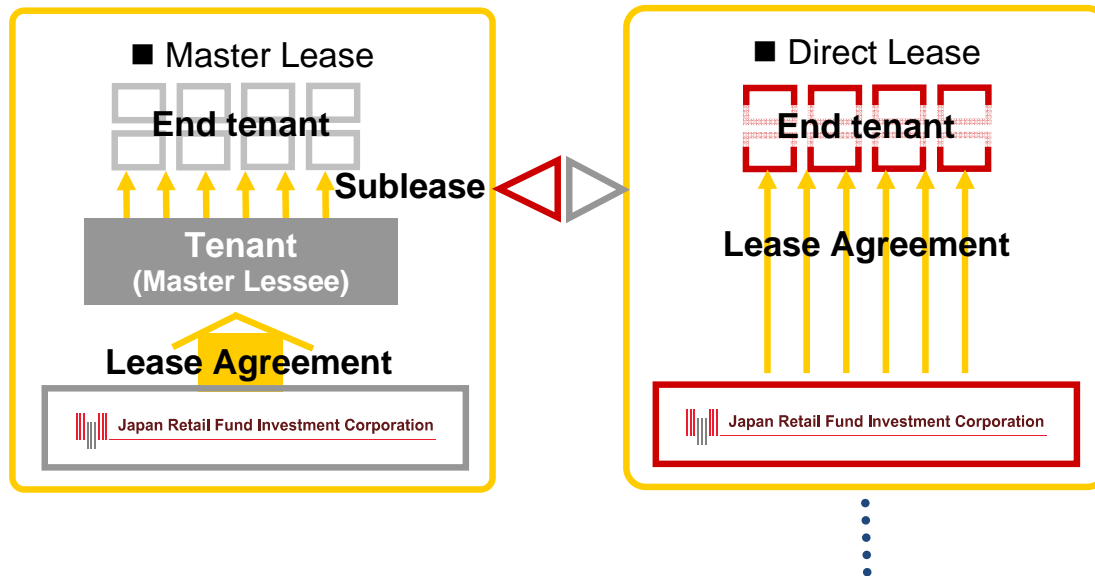
	End Feb.	End Aug.	End Sept.
G-Bldg. Jingumae 01	100.00%	100.00%	100.00%
G-Bldg. Shinjuku 01	-	100.00%	100.00%
GYRE	97.79%	94.00%	93.53%
8953 Minami Aoyama Building	90.42%	90.42%	90.42%
La Porte Aoyama	-	81.95%	89.05%
G-Bldg. Shinsaibashi 01	-	88.36%	88.36%
Hakata Riverain	84.91%	82.42%	79.95%
G-Bldg. Jingumae 02	69.86%	100.00%	64.48%
G DINING SAPPORO	50.14%	63.29%	63.29%
G-Bldg. Jingumae 03	-	11.27%	11.27%
G-Bldg. Minami Aoyama 01	0.00%	0.00%	0.00%

3. JRF's Management Capabilities

Proactive Shopping Center Management (1)

➤➤➤ Carry out revision and convert to new lease format to ensure long-term competitiveness

➤ Engage industry structural changes and select best suited lease format

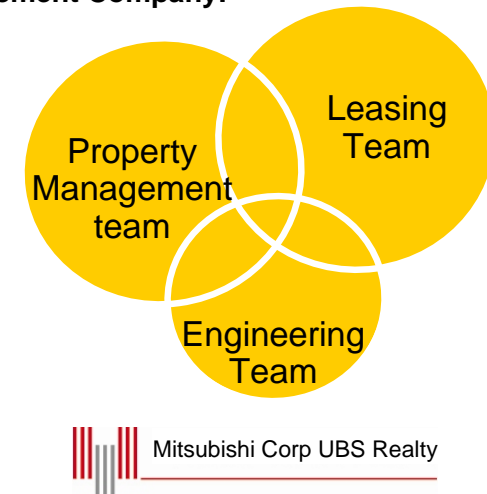


Aim of converting to direct leases

- ✓ Achieve a tenant mix initiated by JRF
- ✓ Attain upside potential by introducing sales-based rent, etc.
- ✓ Take leadership in cost management

➤ Management systems to support SC management

Asset Management Company:



Proactive SC management systems possessed by the asset management company

- ✓ An abundance of employees with high expertise
- ✓ Detailed and highly nimble retail property management
 - Negotiation with tenants
 - Carry out proposals for tenant composition and sales promotion plans
 - Appropriate maintenance and management of facilities, etc.

Proactive Shopping Center Management (2)

➤➤➤ **Steadily add to expertise on renovation projects, and apply successful cases to other properties**

➤ **Key SC management achievements to date**

Completion date	Property	Investment amount	Purpose, details and effect
Feb. 2008 Period (12 th)	JUSCO City Takatsuki	90 mil. yen	Converted the bowling alley into retail stores (UNIQLO, ABC Mart, etc.) to increase competitiveness. Revenue increase: approx. 6 mil. yen annually
Aug. 2008 Period (13 th)	AEONMALL Higashiura	2,566 mil. yen	Planned increase of floor space to improve competitiveness. Built a new car park as part of the first phase. Revenue increase: approx. 167 mil. yen annually
Feb. 2009 Period (14 th)	AEONMALL Itami Terrace	910 mil. yen	To resolve car park congestion, increased the floor area by converting the void to parking space. Revenue increase: approx. 40 mil. yen annually
Aug. 2009 Period (15 th)	Nara Family	280 mil. yen	Amid intensifying competition, renewed the restaurant area to differentiate from nearby competitors.
	JUSCO Naha	289 mil. yen	Replaced the air conditioning systems. Revenue increase: approx. 20 mil. yen annually, introduced sales-based rent
Feb. 2010 Period (16 th)	Higashi-Totsuka Aurora City	403 mil. yen	Converted part of the car park into retail stores. Revenue increase: approx. 60 mil. yen annually
Aug. 2010 Period (17 th)	Kyoto Family	620 mil. yen	Revision of the tenant mix, and carry out renewal and establish a food court.
	Abiko Shopping Plaza	130 mil. yen	Built a new annex, and increased competitiveness by introducing missing merchandising. Revenue increase: approx. 15 mil. yen annually

➤ **Main SC management projects presently being undertaken and planned for the future**

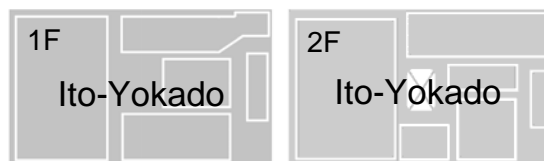
Completion date	Property	Investment amount	Purpose, details and effect
Feb. 2011 Period (18 th) (Plan)	Kyoto Family	Approx. 75 mil. yen	Reclaim some of the floor space from the core GMS tenant, and allocate it to specialty stores
Aug. 2011 Period (19 th) (Plan)	Ito-Yokado Narumi	Approx. 500 mil. yen	Revise GMS' multi-tenant mix, attract competitive specialty store tenants
Fall 2011 (Plan)	AEONMALL Higashiura	undecided	Plan to increase the floor space of the store. Aim to improve competitiveness by strengthening specialty stores
2013 (Plan)	JUSCO Naha	undecided	Plan to increase floor space to further improve competitiveness of the main building

Large-scale Renewal of Suburban Properties (1) Ito-Yokado Narumi

➤➤➤ **GMS multi-tenant mix – Attract competitive specialty store tenants by leveraging strong leasing capabilities**



➤ **Before renewal:**
Master leased to Ito-Yokado



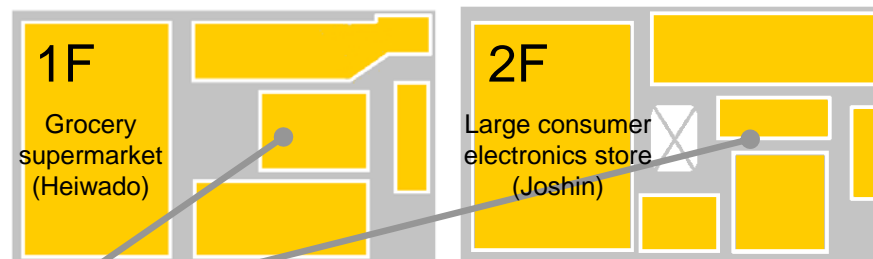
As “Narumi Park”, a place to be supported by local residents long into the future, to be a center that shoppers can visit casually

“Naru Park” (tentative name)

- 1 Target...Neighboring residents
- 2 Addressed needs...Daily needs
- 3 Tenant mix...Composed of highly competitive tenants that are in tune with the times
- 4 Environmental measures which engage the needs of the times ...
Installation of LED and solar panels, indoor plants, and trees on the roof and around walls.



➤ **After renewal:**
Converted to direct leasing to several tenants



➤ **Renewal schedule**

Oct. 2010	Closure of Ito-Yokado Narumi
Late Mar. 2011	New opening as “Naru Park” (tentative name)

➤ **Key tenants**

Tenant name	Type of business	Information (data that can be disclosed as of Oct. 14 2010)
Heiwado	Supermarket	Mainly operates in Shiga Prefecture. Opened a second store in Nagoya City. Ranked 3 rd in the regional supermarket ranking (2009 survey by Nikkei MJ). Listed on Tokyo Stock Exchange, first section, and Osaka Securities Exchange, first section.
Joshin	Large consumer electronics store	A large consumer electronics store based in Kansai. Ranked 5 th in the industry. Listed on Tokyo Stock Exchange, first section, and Osaka Securities Exchange, first section.
Seria	100 yen shop	A stylish and simple 100 yen shop for everyday life. Ranked 3 rd among 100 yen shops (2009 survey by Nikkei MJ). Listed on JASDAQ.
Matsumoto Kiyoshi	Drug store	Top drug store chain in the industry. Owned by Matsumoto Kiyoshi Holdings, which is listed on the Tokyo Stock Exchange, first section.

➤ **Estimated annual NOI**

Before renewal: 438 mil. yen (approx.)

After renewal: 360mil. yen (approx.)
(Introduction of sales-based rent)

Increase revenue by increased future sales

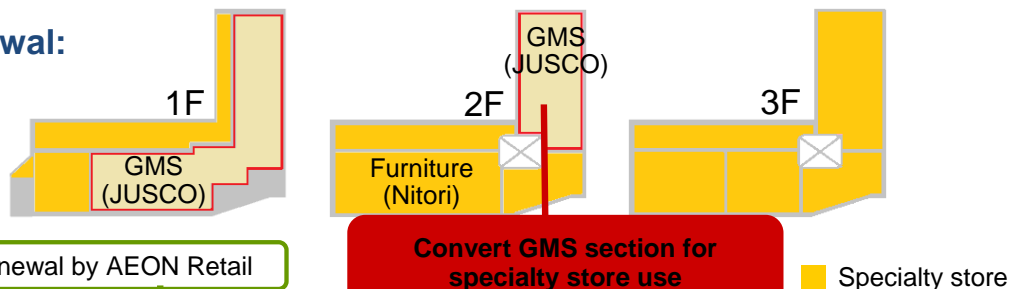
Large-scale Renewal of Suburban Properties (2) Kyoto Family

➤➤➤ Revision of the tenant mix and reclaiming part of the floor space from the core **GMS** tenant, and convert the area to specialty stores

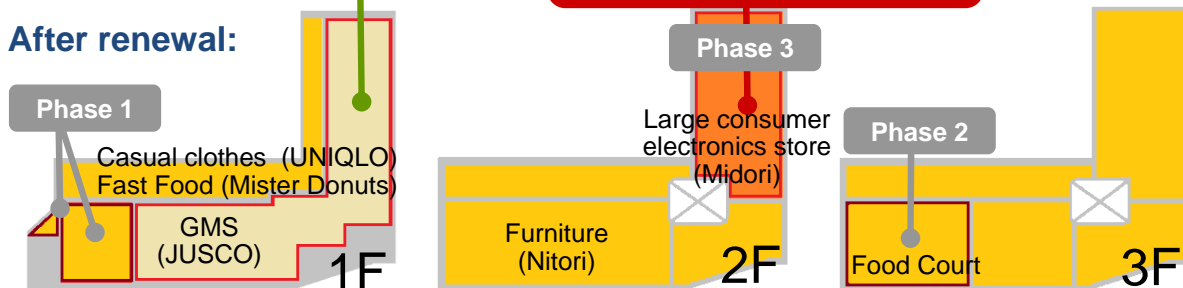


Create a one-stop shopping center in the local retail area that matches consumers' daily needs, by introducing product categories that were not offered before.

➤ Before renewal:



➤ After renewal:



➤ Key Tenants

Tenant name	Business type	Information (data that can be disclosed as of Oct. 14 2010)
Midori (Edion)	Large consumer electronics store	A large consumer electronics store operated by the industry's 2 nd ranked Edion Corporation (Listed on Tokyo Stock Exchange, first section, and Nagoya Stock Exchange, first section).

➤ Renewal schedule

JRF's revision of the tenant mix

Phase 1

March 2010	Opening: Casual clothes (UNIQLO) Fast Food (Mister Donuts)
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Phase 2

June 2010	Opening of Food Court
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Phase 3

Sept. 2010	Closure of the 2nd floor area of JUSCO
Oct. 2010	Reclaim part of the floor space from the core tenant, GMS , and convert the area for specialty stores Opening of large consumer electronics store "Midori" October 29, 2010

Due to AEON Retail's revision of merchandising, the 1st floor area that had been occupied by **GMS** underwent a renewal in October 2010, with **enhancement of AEON Retail's specialty stores, expansion of the grocery area, wider range of clothing, and expansion of pet goods and drug store.**

➤ Estimated annual NOI

Approx. 460 mil. yen
(NOI is expected to increase by about 5 mil. yen, compared to maintaining the current agreement with the **GMS** tenant)

Reduction of Management Costs

»» Ongoing reduction of management costs

» Cost reductions carried out during the Aug. 2010 (17th) Period :

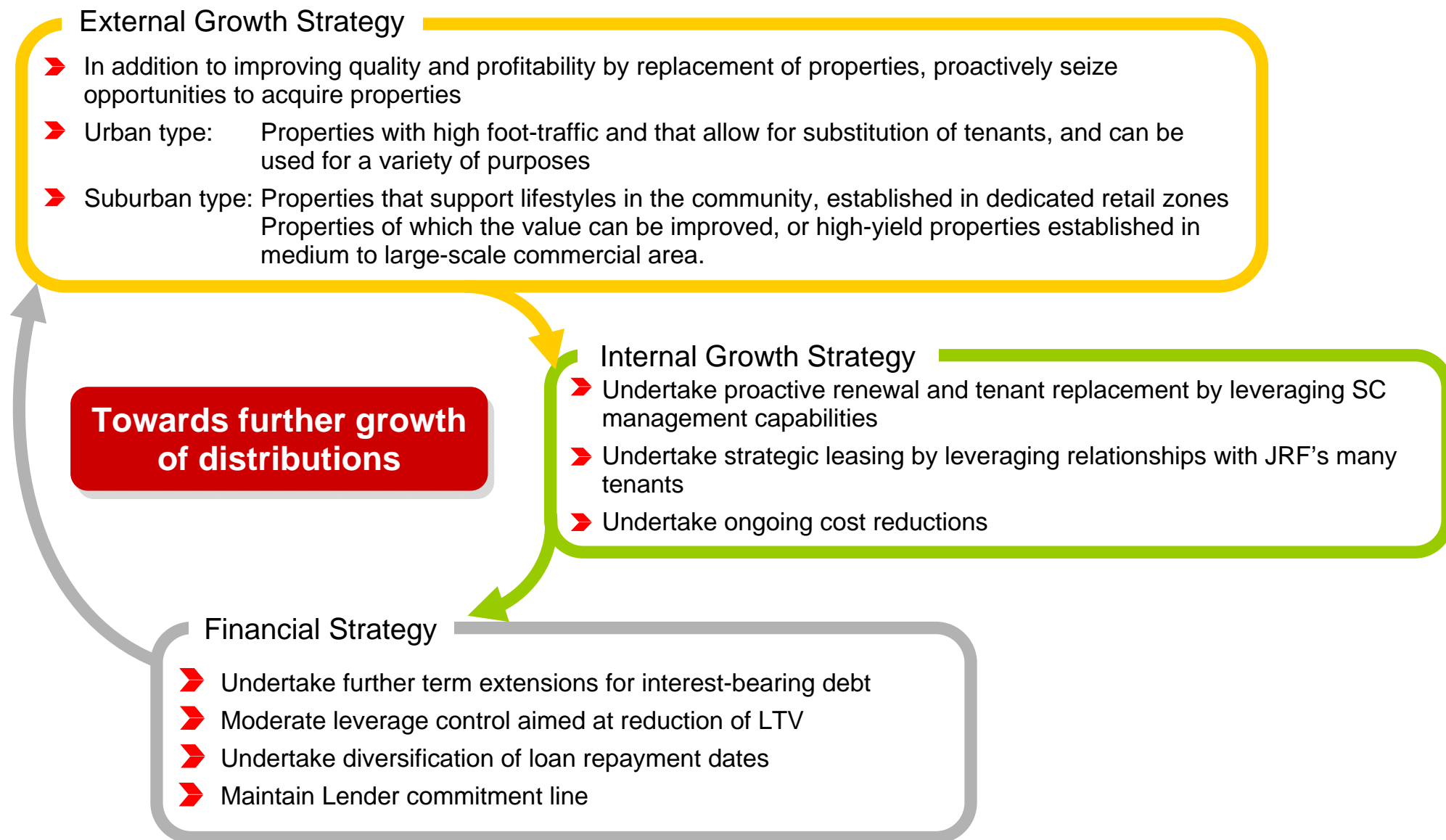
Reduction of PM fees	20 mil. yen annually
Reduction of nonlife insurance premiums	62 mil. yen annually
Reduction of trust fees	25 mil. yen annually
Reduction of custodian fees	136 mil. yen annually



Achieved an annual reduction of 243 mil. yen

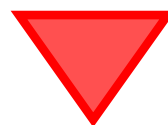
4. **Growth Strategies Going Forward**

The Medium-Term Basic Policy for Growth Going Forward



Analysis of the Environment for Acquisition of Retail Property Real Estate

Drives of requirement to sell key retail properties	Current perception
Exit strategy for real estate fund	✓ Increase of exit needs of private Real Estate funds raised in the past, and development-type SPCs
Repayment of non-recourse loans	✓ Although the situation has improved compared to when refinancing was impossible just after the financial crisis, there are opportunities to consider the option of selling prior to refinancing
Liquidation of collateral properties due to default	✓ Increase of opportunities to revitalize defaulting properties by leveraging JRF's management know-how
Sale and leaseback by retailers and distributors	✓ Strong need for sales and leasebacks, to remove properties from companies' balance sheets
Sale of non-core properties of operating companies, such as manufacturers	✓ Emergence of needs to sell real estate due to core business stagnation or consolidation of non-core businesses



- ✓ Undertake acquisition of prime properties, leveraging JRF's abundant deal sources and track records
- ✓ Undertake deal negotiations leveraging operational know-how as a largest retail property holder

For the immediate future, focus on acquisition

» Description of target properties

✓ Urban type

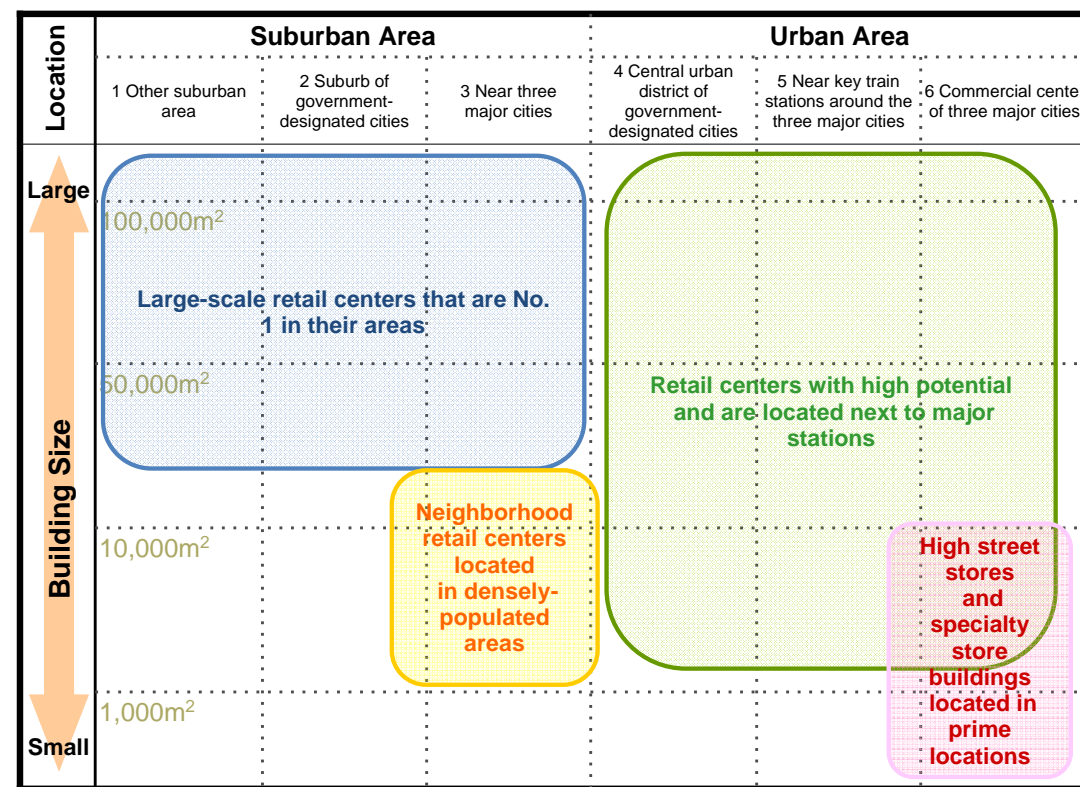
Properties that are in areas with high foot-traffic and allow for substitution of tenants, and that can be used for a variety of purposes

✓ Suburban type

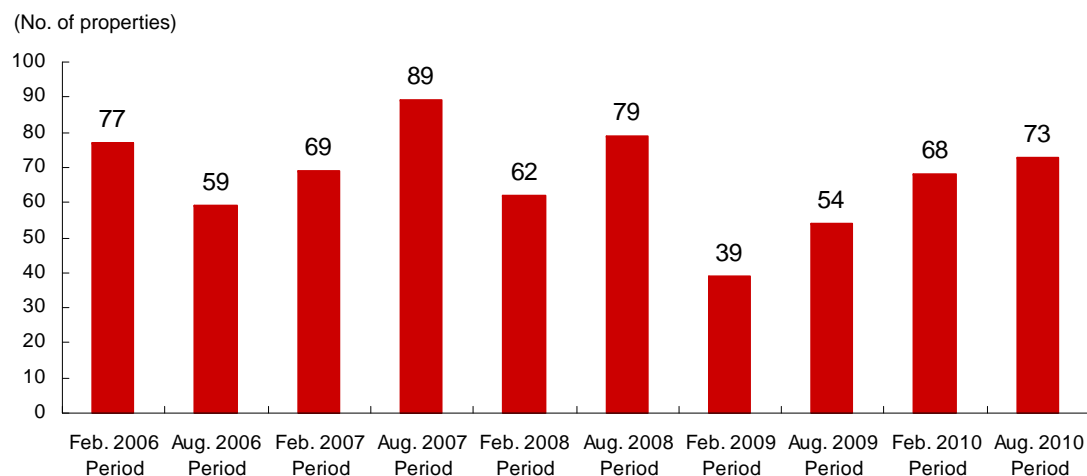
Properties that support the lifestyle of the community, established in dedicated retail zones

Properties of which the value can be improved, or high-yield properties established in medium to large-scale commercial areas.

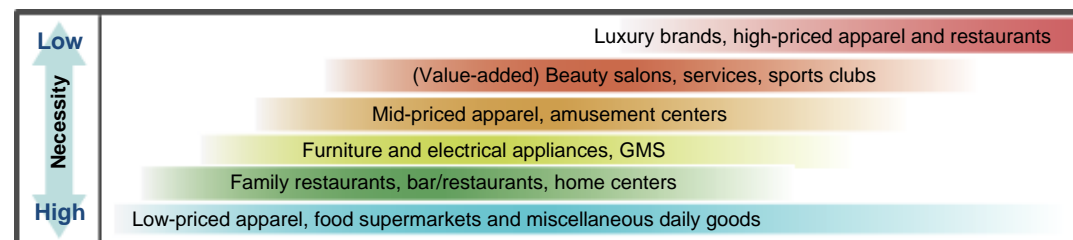
» Acquisition targets



» Number of properties considered



(Note) Investments that were expected to match JRF's investment criteria, and became a new potential investment target during the relevant period.



Further Improvement of Financial Strength

Further extend the terms of long-term liabilities and leverage control

Extend the terms of short-term debt

Increase the ratio of long-term interest-bearing liabilities (including tenant leasehold and security deposits) from the current 73% (approx.) to 80% or above

Reduction of LTV (including tenant leasehold and security deposits)

Moderate leverage control aimed at LTV in the low 50% range

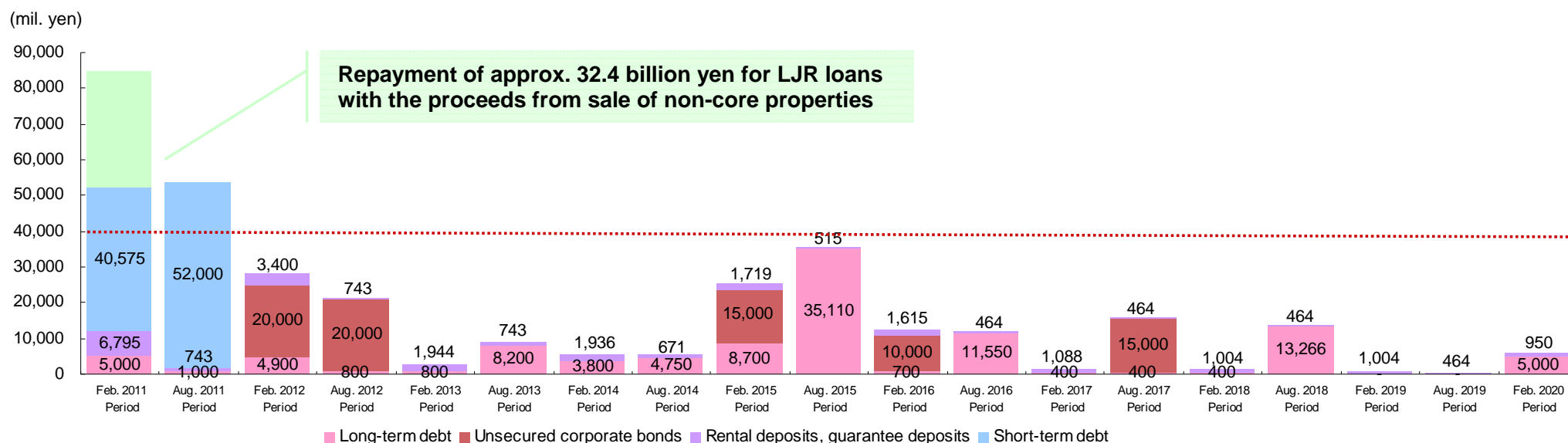
Diversification of loan repayment dates and leveling of repayment amount

Maintenance of bank commitment lines

Maintain current 40 billion yen commitment line facilities

(Note 1) The ratio of long-term interest-bearing liabilities (including tenant leasehold and security deposits) = (Long-term loans + unsecured corporate bonds + tenant leasehold and security deposits) / (long-term loans + unsecured corporate bonds + tenant leasehold and security deposits + short-term loans + short-term unsecured corporate bonds)

(Note 2) LTV (including tenant leasehold and security deposits) = (Long-term loans + unsecured corporate bonds + tenant leasehold and security deposits + short-term loans + short-term unsecured corporate bonds) / total assets



(Note) As of the end of August 2010, the breakdown of debt due in the Feb. 2011 period was as follows:
Short-term loans were 55,572 mil. yen, tenant leasehold and security deposits were 6,795 mil. yen, and long-term loans were 22,500 mil. yen.

Distribution Policy (utilization of negative goodwill)

»» Maintain stable distributions in the medium to long-term, including utilization of “negative goodwill”

➤ Utilization of a total of 7,202 mil. yen of “negative goodwill” arising from the merger

Order of
priority

1 Allocate in case of loss on sale of non-core properties

⇒ Not applicable in the Feb. 2011 Period

2 Allocate in case discrepancy arises between tax and accounting book, for reasons such as impairment losses on fixed assets and asset write-off obligations, etc. (based on full year profit / loss on sale for each period)

Related to action plan

3 Allocate in the event a loss is incurred on sale due to the replacement of assets, or loss on write-off due to renewal.

⇒ Partial utilization in
the Aug. 2010 Period
(283 mil. Yen)

If it becomes apparent that there will be remaining negative goodwill allocate to 4 and 5

Related to action plans

4 Allocate in case a temporary decrease in income arises, due to reduced rent accompanying change in tenants, etc.

5 Allocate additional distributions to achieve stable DPU

Announcement for the issuing of ADR

»» JRF established an American Depositary Receipt program (Level-1) on March 29, 2010 (US calendar date), for the purpose of expanding the investor group and improvement of awareness. We started distribution of the JRF investment units in the over-the-counter market.

Type of ADR program: Sponsored ADR Level-1

Secondary market: US over-the counter-market (OTC market)

Exchange ratio with the original shares: 100ADR=1 original share (100:1)

[US]

Ticker Symbol: JNRFY

CUSIP Code: 471095208

ISIN Code: US471095208

Depository bank: Deutsche Bank Trust Company Americas

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