

February 2015 (26th)
Period Results

JAPAN RETAIL FUND
8953

US ADR(OTC): JNRFY

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

JAPAN RETAIL FUND

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JAPAN RETAIL FUND



mozo wonder city

- 1. Portfolio Management**
2. Implementation of Growth Strategy
3. Portfolio Evolution
4. Financial Results and Forecasts
5. Sustainability Management

Drive active portfolio management by combining our strength

Basic Policy

We aim to re-allocate our portfolio that adapts to a changing environment surrounding retail properties in order to achieve improvement in profitability and stability while persistently growing distributions

JRF portfolio management

Control of risks

- ✓ Leasing downtime resulting from renewal projects
- ✓ Lawsuit on rent reduction
- ✓ Change in retail environment ...etc

Strong Driving Force for portfolio management

Measures for further growth

1. Asset size expansion
2. Property replacement
3. Existing property's value improvement

Financial Base
High credit rating **AA-**

Unrealized Profits
C. **50.0** billion JPY

Asset Size
C. **850.0** billion JPY

Combination of Strength

**Flexible
Financing
Capability**

**SC Management
Capability**

**Strong
Property Sourcing
Capability**

JRF feature

Capability
of AM company

Achieved improvement in profitability and stability while persistently growing distributions

■ Implemented actions (Dec. 2014 – Jan. 2015)



JAPAN RETAIL FUND



Newly acquired property
G-Bldg. Nagoya Sakae 01

1. Portfolio Management
- 2. Implementation of Growth Strategy**
3. Portfolio Evolution
4. Financial Results and Forecasts
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Growth strategy for improvement of unitholders values

Financing Strategy

- 1 Continued financing stability**
by diversifying maturity periods, lengthening borrowing periods, improving fixed interest rate ratio, and securing emergency funding sources
- 2 Diversification of funding sources**
through introduction of new lenders and issuance of corporate bonds

External Growth Strategy

- 1 Asset size expansion**
for the purpose of further enhancing regional and tenant diversification
- 2 Additional acquisition of prime asset and property replacement**
for the purpose of improving portfolio quality
- 3 Securing future internal growth opportunities**
through acquisition of properties with high potential in good location utilizing our SC Management capabilities

Internal Growth Strategy

- 1 Improvement in profitability**
through strengthening of property competitiveness
- 2 Improvement in stability**
of our portfolio by reducing potential risks through continuous dialogue with major tenants:
 - Suggestion of competitiveness improvement measures
 - Introduction of stable lease terms

Established solid financial base

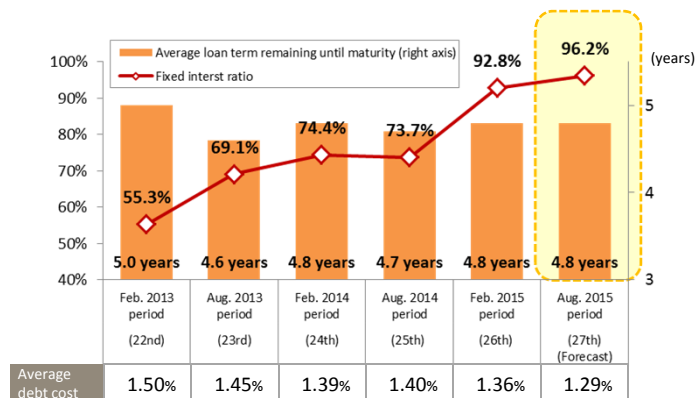
Basic concept and
midterm strategy
for financing

- Secure financial flexibility to help swift and mobile portfolio management
- Establish solid financial base which enables JRF to maintain stable fund management in preparation for future financial market downturn
- Maintain high financial credibility to enjoy substantial cost advantage for debt procurement

Measures for improving financial stability

1 Improving fixed interest rate ratio

Improving fixed interest rate ratio
while redacting debt costs



2 Reducing financial risks in the case of future financial market downturn

Increase in commitment line

Secure the largest level of commitment line among J-REITs (as of Apr. 13)

After June 2015

Commitment line total **60.0** billion JPY

		Validity of agreement	Borrowing period
(1) Short-term commitment line	35.0 billion JPY	1 year	up to 1 year
(2) Long-term Commitment line	15.0 billion JPY	3 years	up to 5 years
(3) Short-term Commitment line	10.0 billion JPY	1 year	up to 3 years

3 Diversification of funding sources

Continuous issuance of corporate bond and inviting new lender

Series 9 of Unsecured Corporate Bonds

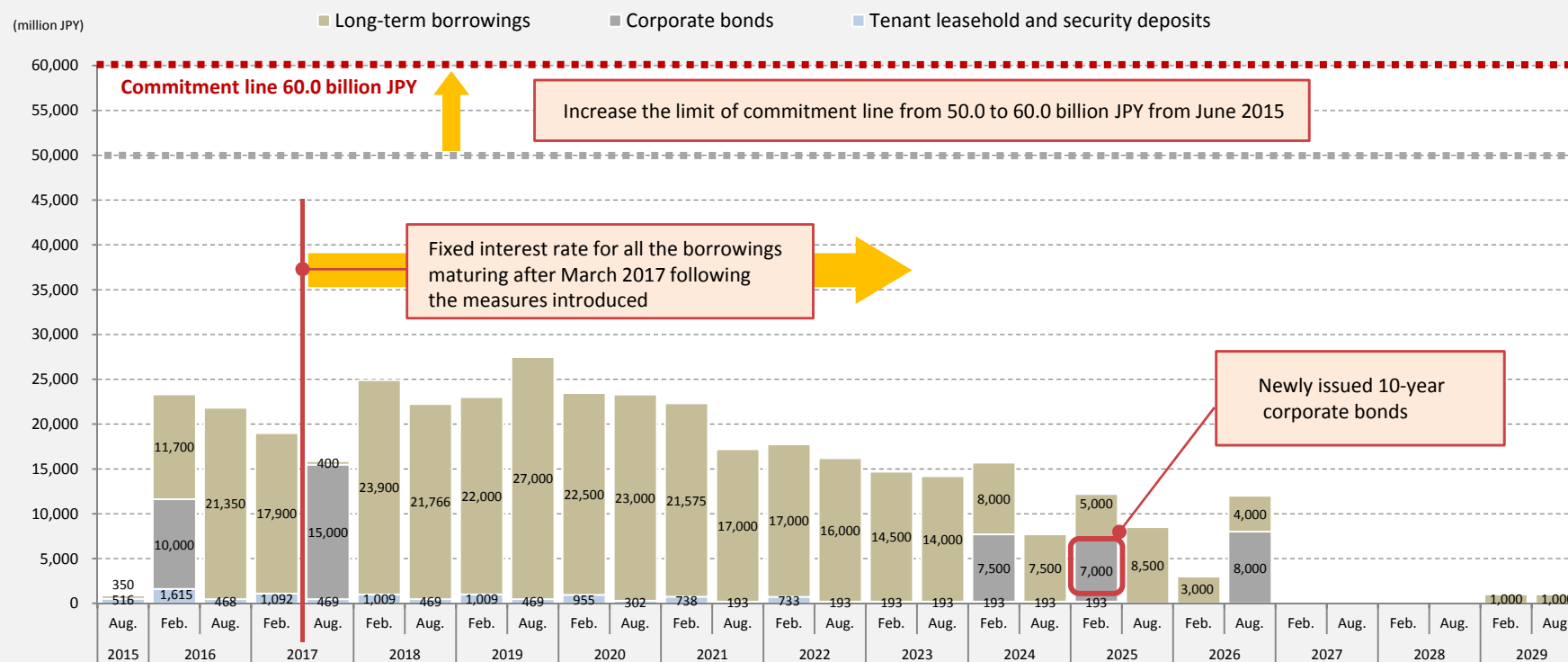
Issue amount	7.0 billion JPY
Term	10 years
Interest	0.765%

First J-REIT borrowing from Japan Post Insurance

Lenders	Japan Post Insurance NEW Sumitomo Mitsui Trust Bank
Amount	1.2 billion JPY
Term	10 years
Interest	0.96%

Diversification of maturity dates and leveling of repayment amount

■ Maturity ladder (as of Apr. 13, 2015)

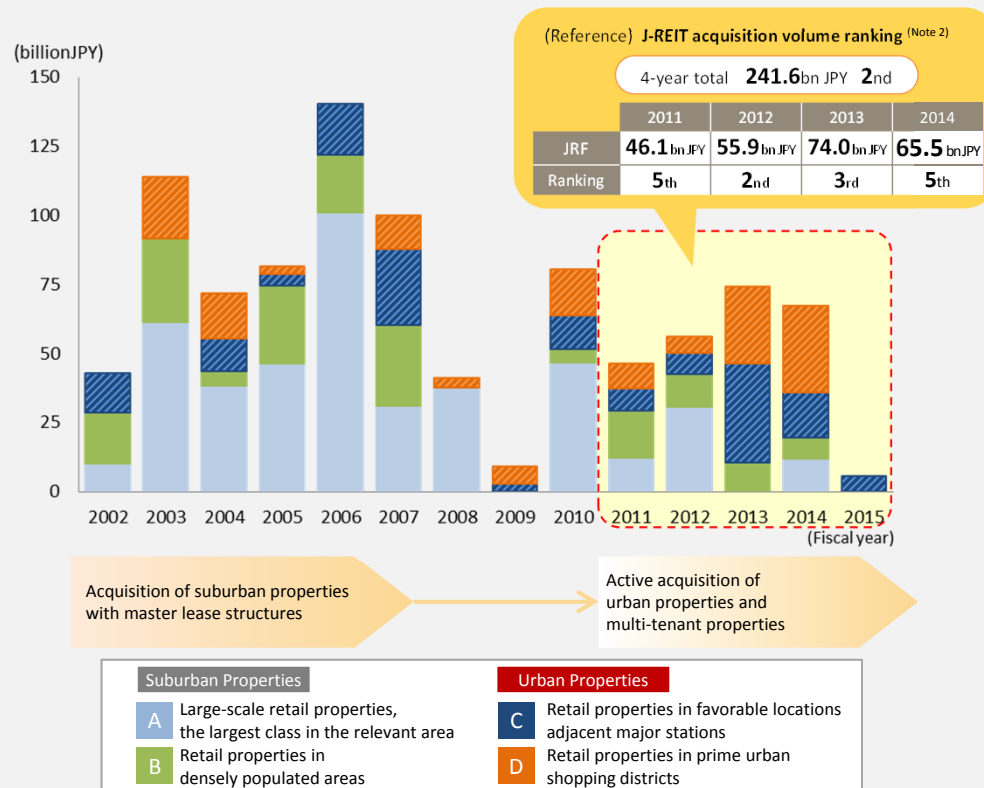


Strategic property acquisition aimed at asset size expansion and profitability improvement

Property acquisition track record and historical portfolio profitability

Acquisition track record (Note 1)

Strategic property acquisition at each growth stage



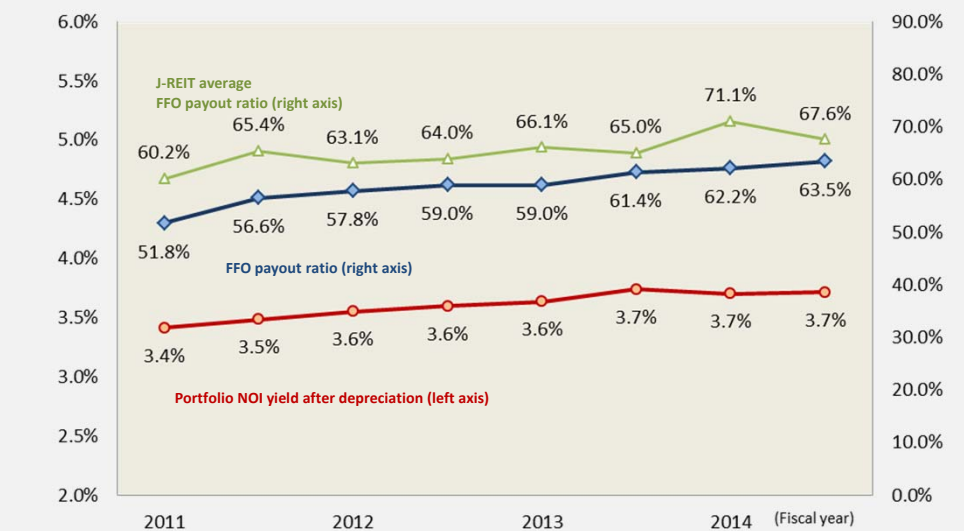
(Note 1) Based on our fiscal year (March to February). Excludes property extension and non-core assets.

(Note 2) Based on total acquisition price in the period from January to December for each year.

(Source) Compiled by the Asset Management company based on public data released by ARES.

NOI yield after depreciation and FFO payout ratio

Maintaining portfolio profitability
Improving FFO payout ratio compared with J-REIT average



(Note) "J-REIT average FFO payout ratio"

- Total distributions / (Net income + Depreciation - Gain on sales of property + Loss on sales of property + impairment loss)
- A simple average of all listed J-REITs as of each data point, excluding J-REITs that have recently listed and not yet reported their financial data.
- Excludes negative value for the calculation of average FFO payout ratio.
- Compiled by the Asset Management company based on publicly available data.

"FFO payout ratio"

- Total distributions / (Net income + Loss on sales of property - Gain on sales of property + Depreciation + other real estate related depreciation)
- Net income used in calculation of FFO does not include income taxes.

"Portfolio NOI yield after depreciation"

- (Rental revenues - Rental expenses) / Acquisition price

Continuously acquire prime urban properties to further diversify portfolio

■ Newly acquired properties after public offering 2014

G-Bldg. Nagoya Sakae 01

An urban retail property located in Sakae, Nagoya - one of the major shopping districts in Nagoya region



Acquisition price	Appraisal value	NOI yield (before depreciation)	NOI yield (after depreciation)
1,900 million JPY	1,990 million JPY	4.6%	4.1%

Acquisition date	December 26, 2014
Location	Nagoya-shi, Aichi
Major tenants	UNDER ARMOUR, Hakata Hanamidori

G-Bldg. Kichijoji 01

(additional acquisition of a 50% co-ownership interest) (Note 1)

A retail property that stands in a high fashion brand area in Kichijoji, one of Tokyo's major commercial areas



(Rendering after the Renewal)

Acquisition price	Appraisal value	NOI yield (before depreciation)	NOI yield (after depreciation)
1,760 million JPY	1,885 million JPY	4.5%	4.0%

Acquisition date	January 30, 2015
Location	Musashino-shi, Tokyo
Major tenants	OLD NAVY (Note 2)

EDION Kyobashi (Land with leasehold interest)

Underlying land of a building conveniently located within walking distance from "Kyobashi Station", facing an arterial road



Acquisition price	Appraisal value	NOI yield (before depreciation)	NOI yield (after depreciation)
5,640 million JPY	5,760 million JPY	4.3%	4.3%

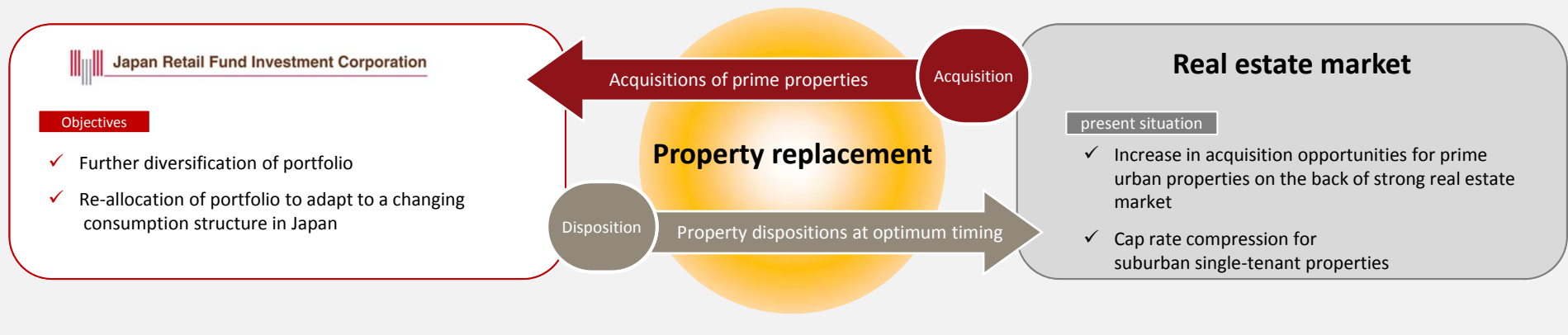
Acquisition date	March 30, 2015
Location	Osaka-shi, Osaka
Major tenant	EDION

(Note 1) JRF already acquired a 50% co-ownership interest in the property on Apr. 10, 2014. With the acquisition of an additional 50% co-ownership interest, JRF has the full ownership of the property.

(Note 2) To be opened in late April 2015.

Strategic property replacement for improvement of portfolio profitability and stability

■ Concept of property replacement



Example of property replacement

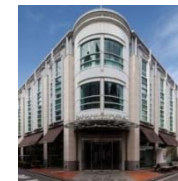
		Disposition	Acquisition		
Jan. ~ Apr. 2014 (24 th , 25 th period)	<ul style="list-style-type: none"> • AEON TOWN Ogaki • G DINING SAPPORO • G-Bldg. Jingumae 04 • G-Bldg. Jingumae 05 	9.9 billion JPY Average NOI yield (after depreciation) 3.4%	19.4 billion JPY Average NOI yield (after depreciation) 3.9%	<ul style="list-style-type: none"> • G-Bldg. Omotesando 02 (35% co-ownership interest) • G-Bldg. Shibuya 01 • G-Bldg. Kichijoji 01 (50% co-ownership interest) • Round1 Stadium Takatsuki 	
Dec. 2014 ~ Feb. 2015 (26 th period)	<ul style="list-style-type: none"> • AEON MALL Kobe Kita (30% co-ownership interest) 	4.9 billion JPY Average NOI yield (after depreciation) 3.2%	3.6 billion JPY Average NOI yield (after depreciation) 4.0%	<ul style="list-style-type: none"> • G-Bldg. Nagoya Sakae 01 • G-Bldg. Kichijoji 01 (50% co-ownership interest) 	



AEON MALL Kobe Kita

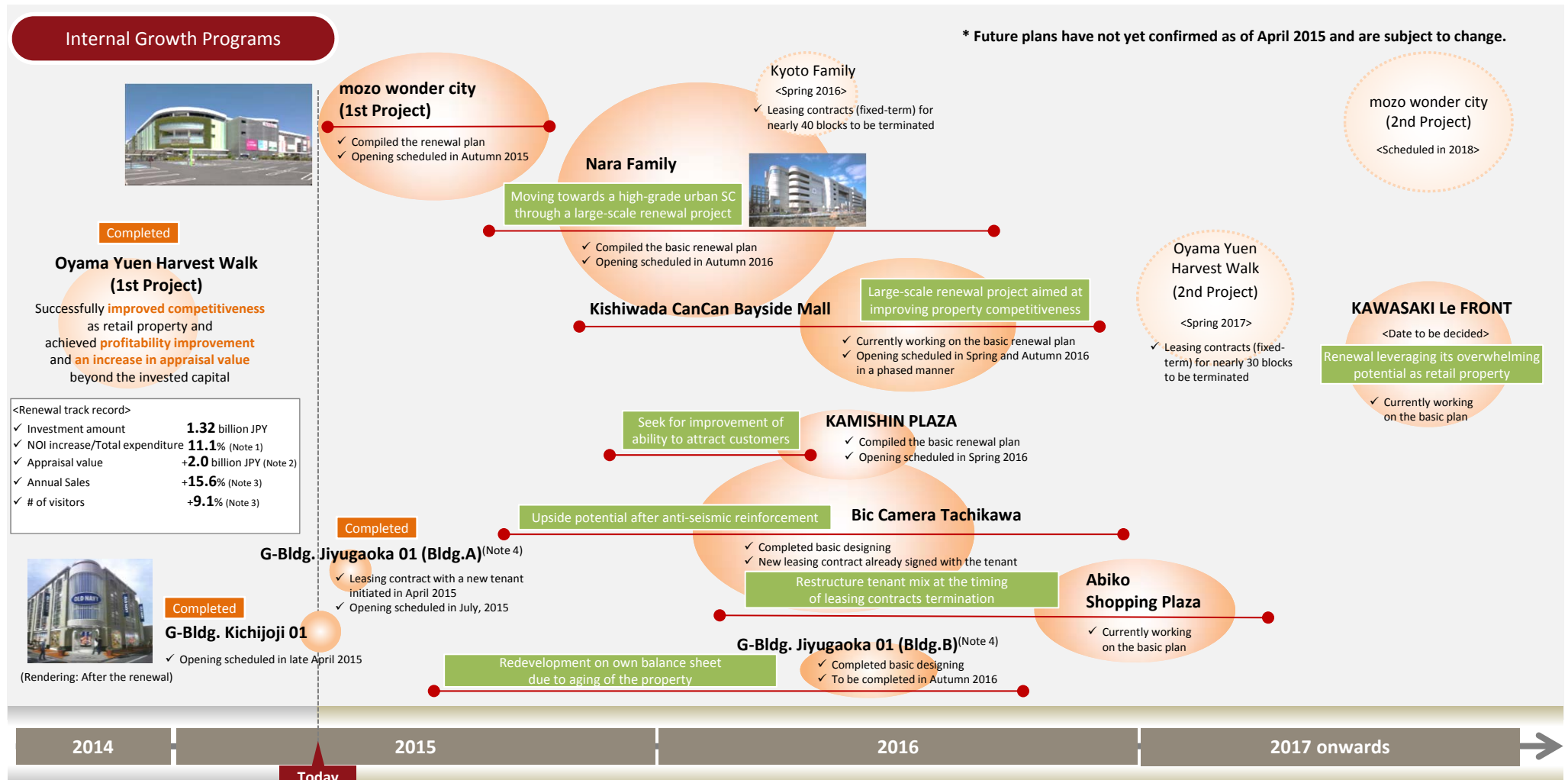


G-Bldg. Nagoya Sakae 01



G-Bldg. Kichijoji 01

Implement internal growth strategy by leveraging our SC Management capability



(Note 1) NOI increase = [(26th period NOI) * 2 - (21st period NOI + 22nd period NOI)]

(Note 2) Appraisal value as of the 26th fiscal period end (after the renewal project) - Appraisal value as of the 22nd fiscal period end (before the renewal project)

(Note 3) YoY comparison of sales and # of visitors (counted based on the use of cash register, excluding customers visiting large tenants and a number of service stores) after the renewal project for the period between May 2014 and February 2015

(Note 4) Name of G-Bldg. Jiyugaoka 01(NEXT/Colline) is changed to G-Bldg. Jiyugaoka 01(Bldg.A/Bldg.B)

Implementing a large-scale renewal project aiming at increasing market positioning (mozo wonder city)

■ Renewal project overview

1 Objective and renewal plan

Objective

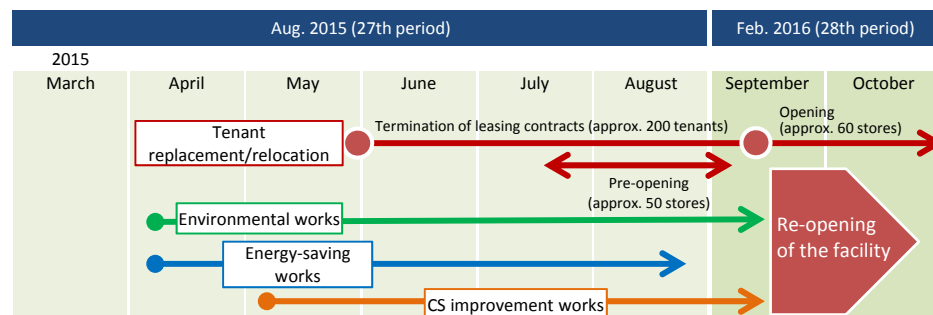
To lay foundation for future target annual sales of 60.0 billion JPY being consciously aware of differentiation from surrounding competing properties

Renewal plan

- ✓ Review tenant mix and attract trend-leading tenants
- ✓ Create an attractive shopping environment to attract a customer group who shops in downtown (Nagoya station and Sakae) area

2 Work summary and schedule

• Floor plan	Alternation of floor plan in relation to tenant replacement
• Shopping environment	Refurbishment of food court area and common area, etc.
• Energy-conservation	Installation of LED lightning, air conditioning inverter, etc.
• CS improvement	Introduction of parking space control system, changeover system for loyalty card, etc.



3 Tenant replacement

Introduction of various new tenants (boutique shops, apparel brands, cosmetic stores and interior shops), including first store opening in entire Nagoya area and first store opening in suburban shopping mall in Nagoya

■ Floor concept

4F	Additional line-up of goods tenants Strengthening of Men's and Unisex line-up
3F	Change tenant mix to target at kids/family Refurbishment of food court space
2F	Set up of the main floor for ladies fashion Introduce a large casual fashion brand
1F	Tenants with higher awareness of leading trends Increase in average sale per customer

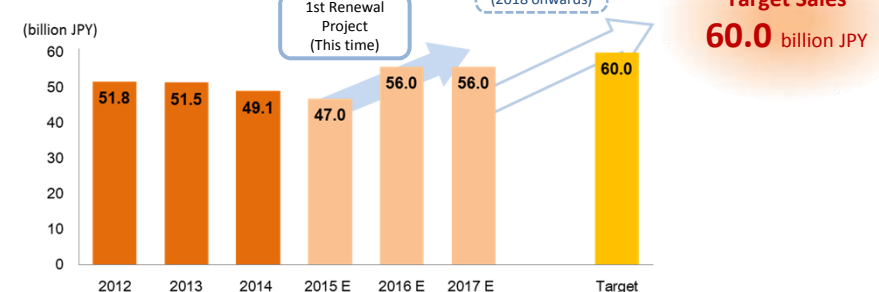
■ Tenant subject to lease renewal (planned)

	Area	# of stores
Subject to lease renewal	New	17% approx. 70
	Relocated	8% approx. 40
	Remained	22% approx. 90
Not subject to lease renewal	53%	approx. 20

4 Effects on the entire facilities

Estimated total expenditure	Estimated increase in NOI	Annual NOI increase/ Total expenditure	(Note) All figures are based on assumption of 100% ownership in the property
2.17 billion JPY	0.23 billion JPY/ year	10.9%	

■ Historical sales trend and target sales figure (based on fiscal year)



Rendering after the Renewal Project (mozo wonder city)

■ Environmental design concept



“mozo park” Repositioning of a large, spacious shopping mall in the community into a park-like space where all generations enjoy comfortable time

Installation of Resting Space (mozo tree) and Green Carpeting

After^(Note)



Before

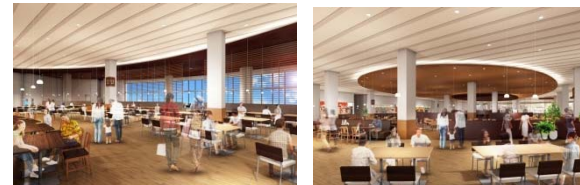


- ✓ Installation of “mozo tree,” which functions as seating space as well as a symbol, and green carpeting, which helps create “mozo park” atmosphere.
- ✓ Partitioning of ample space to add accents to space and to create a comfortable atmosphere

(Note) These are indicative renderings and may differ from the actual development.

Refurbishment of Food Court Area

After^(Note)



Before



- ✓ Adoption of multi-level ceiling and floor for visual effect and comfort
- ✓ Efficient table layout to resolve lack of seating space.(Increase from 800 seats to 1,000 seats)

Achieved rent increase by leveraging our SC Management capabilities

Urban properties subject to lease renewal (fixed term) due to lease termination through Sep. 2014 and Feb. 2016

Rent increased in **11**, stayed same in **17** and reduced in **4** out of the signed **32** blocks.^(Note 1)

Examples of Rent Increase

G-Bldg. Jiyugaoka 01 (Bldg.A)^(Note 2)



Tenant replacement without any down-time and introduction of a competitive tenant leveraging our strong tenant relationship

1-3 Floors

Concluded a long-term lease contract (fixed-term) with BAYCREW'S which operates boutique shops and cafes mainly in central Tokyo
Opening scheduled in late July 2015

Basement

Yoga studio to be opened in May 2015

	Floor area	Rent growth
Replacement 2 tenants	411 tsubo	+3.8%

Cheers Ginza



Transform to a facility with increased consumer traffic by taking advantage of our accumulated experience in managing F&B-oriented properties and wide tenant relationship

- Replaced 3 tenants out of 7 that had expiry of lease contract(fixed-term). New tenants including the first store opening in Tokyo and the first restaurant in Japan
- New shops opening scheduled from May 2015 onwards

	Floor area	Rent growth
Expiration of lease contracts 7 tenants	352 tsubo	+1.6%

G-Bldg. Kichijoji 01



(Rendering: After renewal)

Conclude leasing contract with a competitive tenant by leveraging our leasing capabilities

- Achieved 100% occupancy rate with a single tenant
- The first road-side store of OLD NAVY a major U.S. apparel brand, in central Tokyo
- Opening scheduled in late April 2015

	Floor area	NOI growth ^(Note 4)
Tenant replacement	457 tsubo	+3.3%

G-Bldg. Sangenjaya 01



Large rent increase by changing tenant category to fully leverage its excellent location

- Strategically, altered type of tenant on the first floor from restaurant to drug store
- New tenant without any down-time
- Opening scheduled in from Autumn 2015 onwards

	Floor area	Rent growth
Replacement 2 tenants	232 tsubo	+85.0%

(Note 1) Figures are based on lease contracts signed as of April 13, 2015, excluding certain blocks whose rent level cannot be compared before and after lease renewal.

(Note 2) Name of G-Bldg. Jiyugaoka 01(NEXT/Colline) is changed to G-Bldg. Jiyugaoka 01(Bldg.A/Bldg.B)

(Note 3) Rent growth is a comparison of rental conditions before and after tenant replacement (a total of monthly rent and common area charges)

(Note 4) Rent growth is not disclosed because we have not obtained the necessary permission from the tenant. NOI growth is calculated by comparing the initial estimated NOI (normalized-based) and NOI after initiation of the new lease contract (normalized-based)

(Note 5) 1 tsubo is approximately 3.3 m².

Reduction of future potential risks for portfolio stabilization

1 The early settlement of the lawsuit for securing flexibility on property management

Osaka Shinsaibashi 8953 Building

Early settlement of the lawsuit regarding rent reduction request without significant impact on revenue forecast



Background of settlement

- ✓ Elimination of future risks by stabilizing lease condition
- ✓ Securing flexibility on property management of the urban property in Shinsaibashi area

Impact to P/L

- ✓ Payment of settlement (438 million JPY) utilizing gain on disposition of a part of AEON MALL Kobe Kita
- ✓ No influence on P/L because decrease in rental revenue had been already incorporated in the forecasts

Future management plan

- Expected lease expiration(old style lease contract) in Feb. 2019
- Preparing revitalizing plan with the tenant that fully takes advantage of the prime location especially for in-bound demands with tenant

2 The revision of the economic term of the lease and Renewing the lease with longer terms for stability

Ito-Yokado (Percentage of the rent in our portfolio :8.5%)

Hedging the risk of rent reduction

Lease term renewals with Ito-Yokado^(Note 1) ^(Note 2)

◆ Ito-Yokado Yotsukaido

◆ Abiko Shopping Plaza

Discussing with the tenant on the lease term with potential renewal plans as a leverage

◆ Ito-Yokado Tsunashima

◆ Ito-Yokado Kamifukuoka

Strategically offered the reduced rent with longer lease periods to facilitate renewals driven by tenant

◆ Ito-Yokado Yabashira

◆ Ito-Yokado Kawasaki

Renewed the lease contracts with same term as before

(Note 1) Excluding the 2 assets , Ito-Yokado Nishiki Cho and Ario Otori, of fixed term building lease contract with Ito-Yokado .

(Note 2) The lease contracts of 2 assets, IY Tsunashima and IY Yabashira have already been renewed with their expiration date of October 31, 2018.

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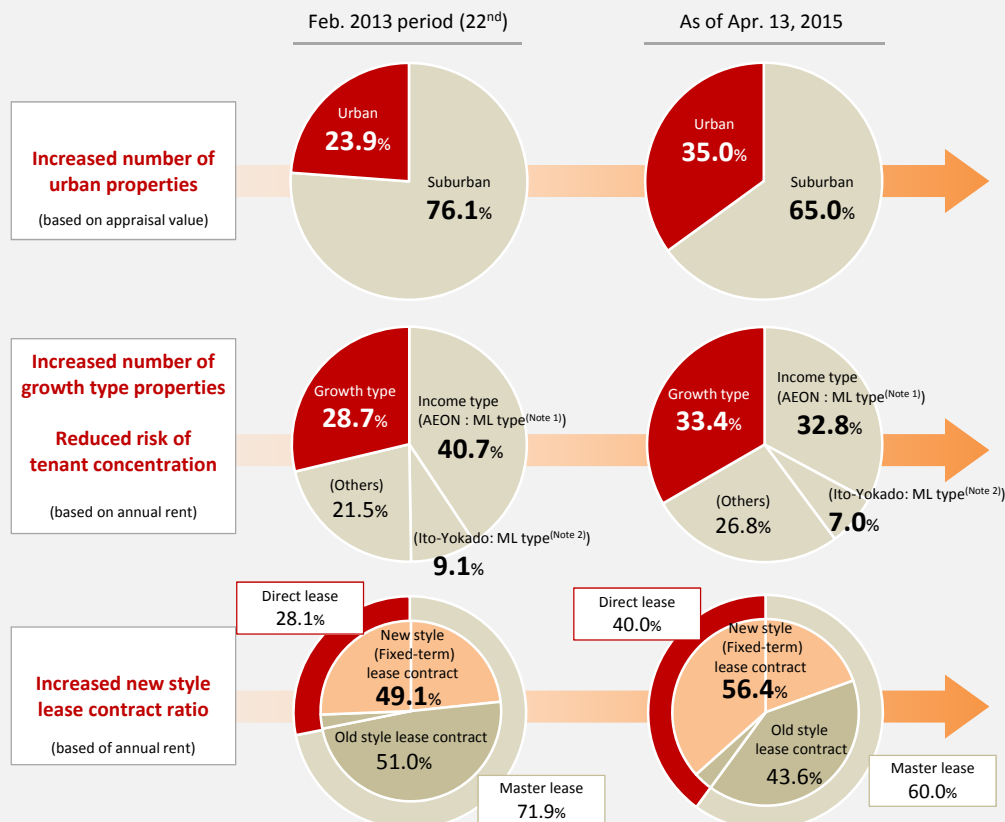
Additional acquisition of a 50% co-ownership interest (Rendering after the Renewal)
G-Bldg. Kichijoji 01

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Aiming to achieve improvement in both profitability and stability

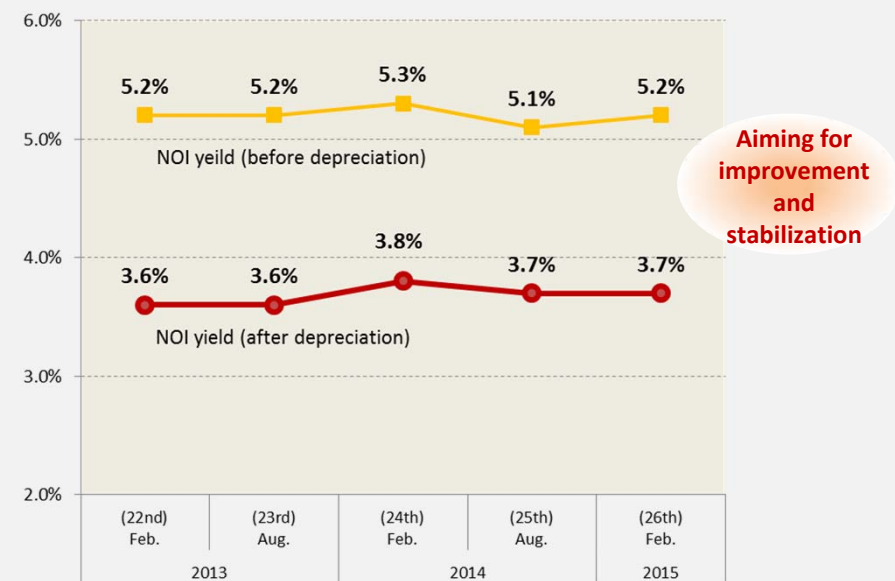
1 Improvement portfolio stability

Portfolio evolution



2 Maintenance and improvement of portfolio profitability

NOI yield trend



(Note 1) "AEON: ML type" refers to the total annual rent of AEON Retail, AEON MALL, AEON Kyushu, AEON Ryukyu and AEON TOWN which lease our properties as a master lease tenant in Income properties.

(Note 2) "Ito-Yokado: ML type" refers to the total annual rent of Ito-Yokado which leases our properties as a master lease tenant in Income properties.

Stabilizing the DPU through crystallizing unrealized profits over several period

Persistent DPU growth through the use of reserve for reduction entry

■ DPU stabilization through the use of reserve for reduction entry

Occurrence of temporary expense due to implementation of internal growth strategy

- ✓ Cover the temporary expenses by revenue of other existing properties
- ✓ Monetize unrealized profits via property disposition

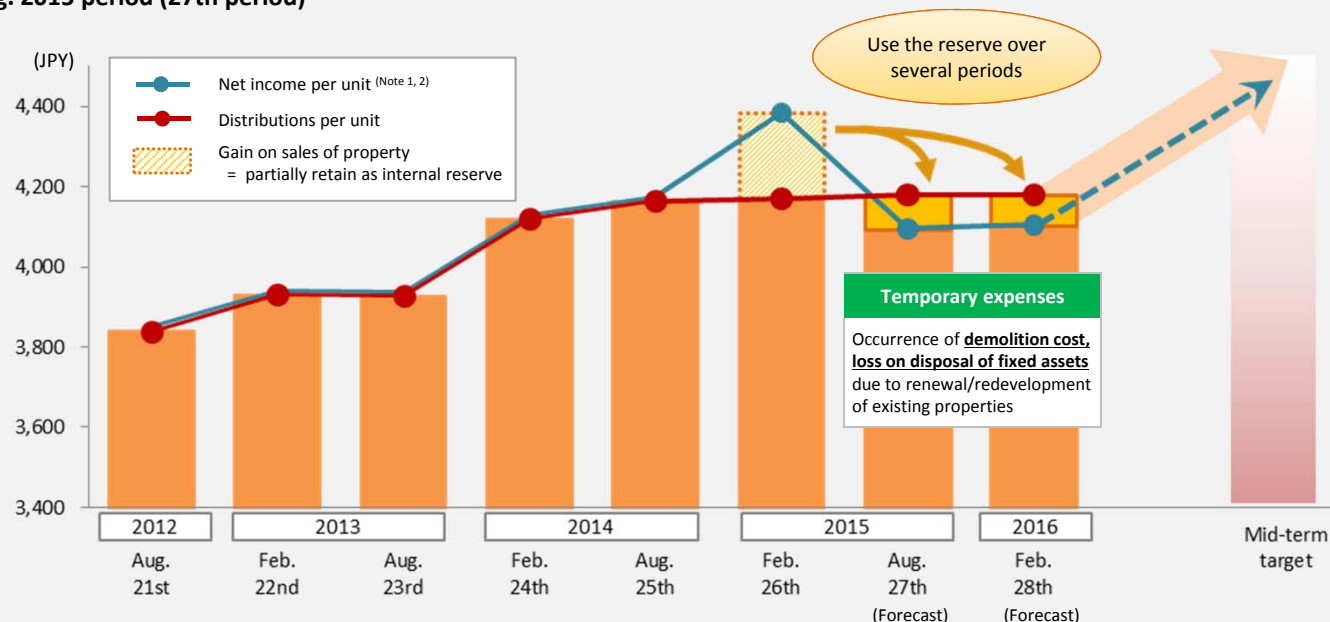


Flexibly use reserve for reduction entry, accumulated by monetizing unrealized profits, for the purpose of stabilizing DPU



Implement active measures for future growth that involve temporary expenses while stabilizing DPU level through overall portfolio management

Future DPU after Aug. 2015 period (27th period)



(Note 1) Net income per unit is calculated by dividing net income by a number of units outstanding as of the end of each fiscal period and is not identical to net income per unit defined in The Summary of Financial Results and Asset Management Report (net income per unit / average number of units outstanding)

(Note 2) This graph does not reflect the reserves for dividends (103 mn JPY) we have recorded in Feb. 2014 (24th) period.

JAPAN RETAIL FUND

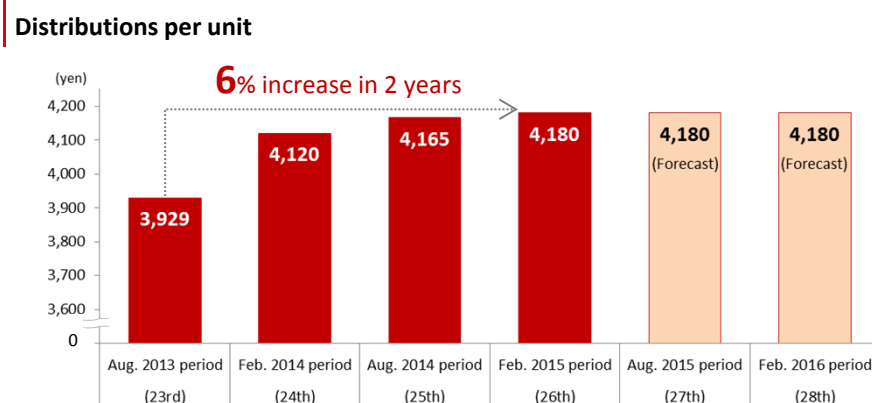
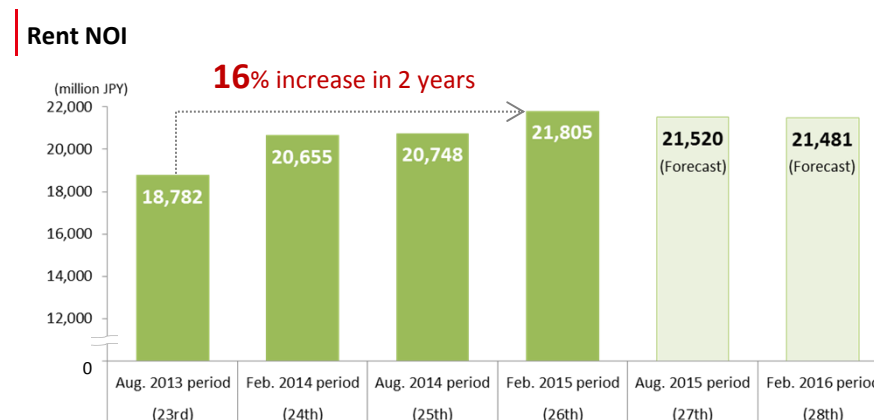
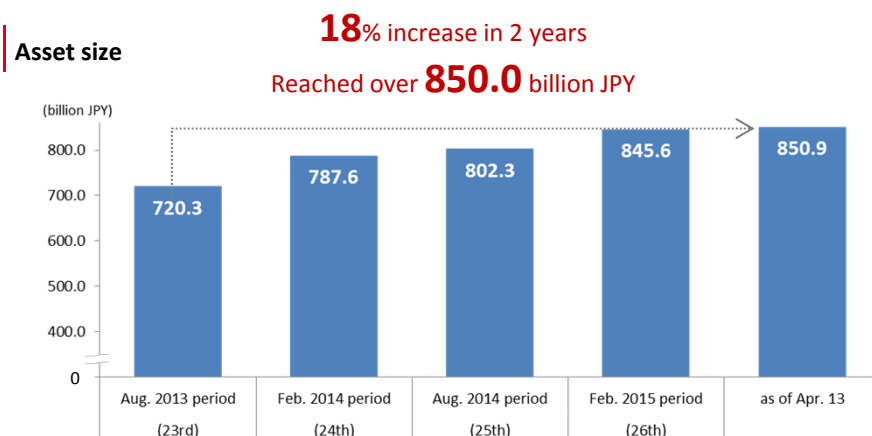


Newly acquired property
EDION Kyobashi (land with leasehold interest)

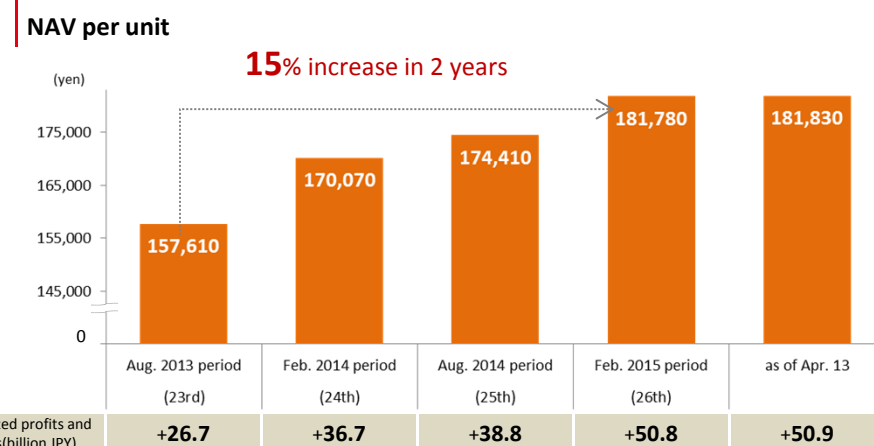
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Business Results

Steady increase in unitholder value (DPU and NAV per unit)



(Note) Forecasted DPU for 27th and 28th periods includes the reversal of reserve of reduction entry of property.
(206 millions JPY for 27th period and 181 millions JPY for 28th period)



Period	Unrealized profits and losses (billion JPY)
Aug. 2013 period (23rd)	+26.7
Feb. 2014 period (24th)	+36.7
Aug. 2014 period (25th)	+38.8
Feb. 2015 period (26th)	+50.8
as of Apr. 13	+50.9

Period-end NAV: (Net asset value + unrealized profits and losses of the properties in our portfolio, as of the end of each fiscal period) / the number of units outstanding as of the end of each fiscal period

NAV as of Apr. 13: (Net asset value + unrealized profits and losses of the properties in our portfolio, as of the end of Feb. 2015 period + unrealized profits and losses of "EDION Kyobashi(land with leasehold interest)" / (the number of units outstanding as of Apr.13, 2015)

4. Financial Results and Forecasts

February 2015 period (26th) P/L Performance

	Aug. 2014 Period (25 th) (Actual)	Feb. 2015 Period (26 th) (Actual)	Change	26 th forecast at the beginning of the period	Change
Operating revenue	29,562	31,399	+ 1,836	30,695	+ 703
(Rent NOI)	20,748	21,805	+ 1,057	—	—
Operating income	12,223	13,692	+ 1,469	12,793	+ 899
Ordinary income	9,613	11,061	+ 1,447	10,148	+ 912
Net income	9,613	10,658	+ 1,044	10,133	+ 525
Reserve for reduction entry of property	—	(Note 1) 502	+ 502	—	—
Reversal of reserve (Payout from the reserve)					
Total distribution	9,613	10,158	+ 544	—	—
Units outstanding	2,308,198 units	2,430,198 units	+ 122,000 units	2,430,198 units	—
DPU	4,165 yen	4,180 yen	+ 15 yen	4,170 yen	+ 10 yen
FFO per unit ^(Note2)	6,695 yen	6,582 yen	- 113 yen	6,698 yen	- 116 yen
FFO pay out ratio	62.2 %	63.5 %	—	62.3 %	—
Capital expenditures	2,887	2,377	- 510	2,856	- 478
Repair expenses	217	194	- 22	265	- 70
Total	3,105	2,572	- 533	3,121	- 548
Depreciation	5,888	6,097	+ 208	6,144	- 47

(Note 1) Balance of reserve for reduction entry of property after approval of distributions at the JRF board of directors meeting on April 13, 2015.

(Note 2) (Net income + loss on sale of real estate, etc. - gain on sale of real estate, etc. + depreciation + other real estate related depreciation) / total units outstanding
Net income used in calculation of FFO for the Aug. 2014 period (25th) and Feb. 2015 period (26th) does not include income taxes.

Major factors behind change during Feb. 2015 period (26 th) (compared to previous period)		(million JPY)
Operating revenues		+1,836
✓ Rent of properties acquired through PO in 2014		+1,405
✓ Gain on sales of property (AEON MALL Kobe Kita +785, AEON TOWN Ogaki -46)		+738
✓ Rent in connection with property replacement in Feb. 2015 period		- 64
✓ Existing properties (leasing of vacant space +25, revenue-based rent -42, utility charges received -115, tenant contributions -57, penalty charge -37)		- 234
Operating expenses		+368
✓ Properties acquired through PO in 2014		+562
✓ Expenses in connection with property replacement in Feb. 2015 period		- 38
✓ Existing properties (utility charges -194, PM fee -10, loss on disposals of fixed assets -19, other expenses -19)		- 274
✓ Asset management fee(+88), non-deductible consumption tax(+19)		+107
Operating income		+1,469
✓ Interest payments for new borrowings in connection with PO in 2014		+28
Ordinary income		+1,447
✓ Extraordinary losses (payment to a tenant in connection with settlement of lawsuit)		+375
✓ Deferred income taxes (expense)		+27
Net income		+1,044

Major factors behind change during Feb. 2015 period (26 th) (compared to forecasts at the beginning of the period)		(million JPY)
Operating revenues		+703
✓ Gain on sales of property (AEON MALL Kobe Kita)		+785
✓ Property replacement in Feb. 2015 period		-62
Operating expenses		- 196
✓ Property replacement in Feb. 2015 period		- 27
✓ Existing properties (utility charges -86, repair expenses -64, PM fee -29)		- 180
Operating income		+899
Ordinary income		+912
✓ Extraordinary losses (payment to a tenant in connection with settlement of lawsuit)		+375
✓ Deferred income taxes (expense)		+12
Net income		+525

February 2015 period (26th) B/S Performance

	Aug. 2014 Period (25th) (Actual)	Feb. 2015 Period (26th) (Actual)	Change
Total assets (1)	785,442	834,687	+ 49,244
Total liabilities	419,563	443,759	+ 24,195
Interest-bearing liability (2)	347,001	372,301	+ 25,300
Tenant leasehold and security deposits (3)	61,095	60,684	- 411
Net assets	365,878	390,928	+ 25,049
LTV ((2)+(3)) / (1)	52.0 %	51.9 %	- 0.1 points
LTV (2) / (1)	44.2 %	44.6 %	+ 0.4 points
Long-term borrowings ratio	100.0 %	100.0 %	—
Fixed interest rate ratio	73.7 %	92.8 %	+ 19.1 points
Average debt cost	1.40 %	1.36 %	- 0.04 points
Number of properties	84 properties	88 properties	+ 4 properties
Aggregate acquisition price	802,395	845,646	+ 43,251
Unrealized profits and losses	+ 36,700	+ 50,843	+ 14,142
Book value	755,736	796,765	+ 41,029
Appraisal value	792,437	847,609	+ 55,172
Reserve for dividends (Negative goodwill)	2,430	(Note) 2,430	+ 0
Reserve for reduction entry of property	—	(Note) 502	+ 502

(Note) Balance of reserve of reduction entry after approval of distributions at the JRF board of directors meeting on April 13, 2015.

■ Major factors behind change during Feb. 2015 period (26th)
(compared to previous period)

	(million JPY)
Total assets	+49,244
✓ Acquisition of new properties, disposition of existing property	+44,807
✓ Increase in cash and bank deposits	+6,602
✓ Depreciation, loss on disposal of fixed assets	- 6,157
✓ Capital expenditures	+2,377
Total liability	+24,195
✓ Increase in borrowings associated with public offering in 2014	+26,000
✓ Issuance of corporate bonds	+7,000
✓ Redemption of corporate bonds	- 15,000
✓ Increase in borrowings association with redemption of corporate bonds	+8,000
✓ Repayment of borrowings	- 700
✓ Tenant leasehold and security deposits	- 411
Net assets	+25,049
✓ Increase in capital associated with issuance of new units	+24,314

4. Financial Results and Forecasts

Forecasts for the Coming Two Periods

	Feb. 2015 Period (26th) (Actual)	Aug. 2015 Period (27th) (Forecast)	Change	Feb. 2016 Period (28th) (Forecast)	Change
Operating revenue	31,399	30,613	- 786	30,763	+ 150
(Rent NOI)	21,805	21,520	- 284	21,481	- 39
Operating income	13,692	12,539	- 1,153	12,518	- 21
Ordinary income	11,061	9,952	- 1,108	9,977	+ 25
Net income	10,658	9,951	- 706	9,977	+ 25
Reserve for reduction entry of property	502	—	- 502	—	—
Reversal of reserve (Note 2) (Payout from the reserve)	—	206	+ 206	181	- 25
Total distribution	10,158	10,158	—	10,158	—
Units outstanding	2,430,198 units	2,430,198 units	—	2,430,198 units	—
DPU	4,180 yen	4,180 yen	—	4,180 yen	—
FFO per unit (Note3)	6,582 yen	6,614 yen	+ 32 yen	6,622 yen	+ 8 yen
FFO pay out ratio	63.5 %	63.2 %	—	63.1 %	—
Capital expenditures	2,377	2,890	+ 513	3,986	+ 1,095
Repair expenses	194	277	+ 82	495	+ 217
Total	2,572	3,168	+ 595	4,482	+ 1,313
Depreciation	6,097	6,123	+ 26	6,117	- 5

(Note 1) Million JPY unless otherwise noted.

(Note 2) The maximum amount of the reversal of reserve for reduction entry will be following temporary expense in connection with renewal projects

	Aug. 2015 period (27 th)	Property	Feb. 2016 period (28 th)	Property
Temporary expenses in connection with renewal projects	232 million JPY		340 million JPY	
Demolition costs, compensation costs, etc.	40 million JPY	Jiyugaoka (Bldg.B), mozo	280 million JPY	mozo, Kishiwada, Kyoto Family, Kamishin
Loss on disposals of fixed assets	192 million JPY		60 million JPY	

(Note 3) (Net income + loss on sales of property, etc. - gain on sales of property, etc. + depreciation + other real estate related depreciation) / total units outstanding
Net income used in calculation of FFO for the Aug. 2015 period (27th) does not include income taxes.

■ Comparison of forecasts for Aug. 2015 (27th) period

	Previous forecast	Revised forecast	Change	(million JPY)
Net income	10,138	9,951	- 186	-186
Reversal of reserve (payment from the reserve)	0	206	+206	
Total distributions	10,138	10,158	+19	
DPU	4,172	4,180	+8	

Net income	-186
✓ Acquisition of EDION Kyobashi (Land with leasehold interest)	+148
✓ Increase in repair expense (mozo, KAWASAKI Le FRONT)	-89
✓ Increase in loss on disposals of fixed assets (mozo, Jiyugaoka)	-192
✓ Increase in leasing downtime due to renewal projects (mozo)	- 39

■ Major factors behind change for Aug. 2015 (27th) period

(compared to 26th period)		(million JPY)
Operating revenues		- 786
✓ Full contribution of properties acquired through PO in 2014		+200
✓ Full contribution of properties replacement in Feb. 2015 period		- 19
✓ Existing properties (adjustment due to leasing renewals -74, leasing downtime resulting from renewals -215, utility charges received +58, leasing of vacant space +58)		- 181
✓ Absence of gain on sales of property		- 785
Operating expenses		+366
✓ Full contribution of properties acquired through PO in 2014		+190
✓ Full contribution of properties replacement in Feb. 2015 period		- 53
✓ Existing properties (utility charges +59, PM fee -124, other +21)		- 44
✓ Repair expense (renewal project at mozo, etc.)		+82
✓ Loss on disposals of fixed assets (renewal projects at Jiyugaoka, mozo, etc.)		+132
✓ Asset management fee, etc.		+57
Operating income		- 1,153
✓ Decrease in interest for corporate bonds, etc.		- 45
Ordinary income		- 1,108
✓ Absence of extraordinary losses (payment to a tenant in connection with settlement of lawsuit)		- 375
✓ Absence of deferred income taxes (expense)		- 27
Net income		- 706

■ Major factors behind change during Feb. 2016 (28th) period

(compared to forecast for Aug. 2015 (27 th) period)		(million JPY)
Operating revenues		+150
✓ Renewal opening of mozo		+305
✓ Other existing properties (leasing downtime at Kishiwada, Tachikawa, etc. due to renewal projects -83, utility charges received -67, penalty charge -4)		- 155
Operating expenses		- 171
✓ Special promotion campaign at mozo in connection with renewal opening		+252
✓ Utility charges for existing properties -138, decrease in rental expense due to acquisition of underlying land for DFS -5		- 165
✓ Repair expenses (renewal projects for Kishiwada, mozo)		+217
✓ Loss on disposals of fixed assets (Jiyugaoka, mozo)		- 121
✓ Asset management fee, etc.		- 12
Operating income		- 21
✓ Decrease in interest cost, expiration of amortization in relation to unit issuance costs		- 46
Ordinary income		+25
Net income		+25

JAPAN RETAIL FUND



AEON MALL Itami

1. Portfolio Management
2. Implementation of Growth Strategy
3. Portfolio Evolution
4. Financial Results and Forecasts
- 5. Sustainability Management**

Proactively engage in various measures for building a sustainable society and environment as a whole

Basic policy

JRF shares the same concept of sustainability with the Asset Manager and implement various measures together. We established new policies and measures for sustainability in June 2013 and signed declarations adopting the following two principles.

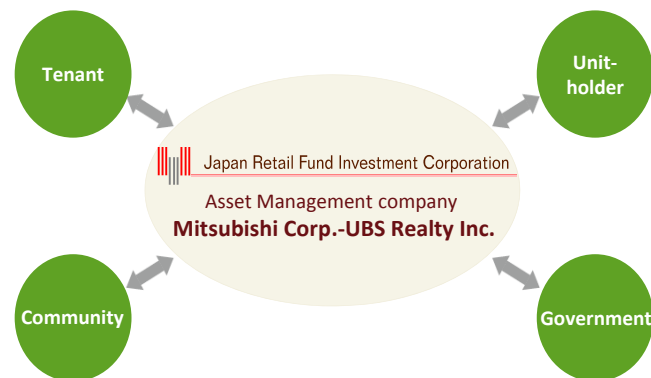
- United Nation's Principles for Responsible Investment (PRI)



- The Principles for Financial Action towards a Sustainable Society endorsed by Japanese Ministry of Environment (Principles for Financial Action for the 21st Century)



Communication with stakeholders



Recognition from third parties

JRF participates in GRESB (Global Real Estate Sustainability Benchmark) and is designated as a "Green Talk" company.



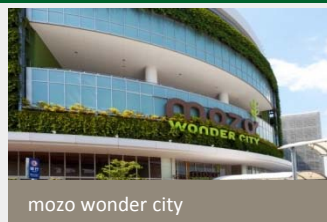
Our approaches

Activities for minimizing environmental load and conserving the environment



AEON Mall Itami

- Installation of solar panels



mozo wonder city

- Adding greenery to the exterior

Creation of common spaces



Oyama Yuen Harvest Walk

- Adding greenery
- Restoration of rain water to aquifers through such measures as a permeable pavement
- Expansion of recreation space

Social contribution activities



Kishiwada Can Can Bayside Mall, etc.

- Offering the vacant event space to UNHCR free of charge for refugees supporting campaign.



GYRE



- Exhibition of the artworks of Mitsubishi Corporation Art Gate Program in EYE OF GYRE

(Note) "Mitsubishi Corporation Art Gate Program" is a career development program offered by Mitsubishi Corporation as social contribution activities for the young and promising artists (<http://www.mcagp.com/program>)

JRF acquired various environmental certificate through sustainability management

“CASBEE for Building” Certifications

CASBEE (Comprehensive Assessment System for Building Environmental Efficiency) is an evaluation system that ranks buildings and structures in terms of their environmental performance. In addition to each building's ability to reduce its environmental impact across a variety of areas including energy and resource conservation as well as recycling, this system undertakes to comprehensively evaluate the environmental performance of each building and structure including its aesthetic appeal.




Certification rank	Property name
 Rank S ★★★★★	<ul style="list-style-type: none"> • AEON MALL Musashi Murayama • AEON MALL Tsurumi Ryokuchi • Higashi-Totsuka Aurora City
 Rank A ★★★★	<ul style="list-style-type: none"> • AEON MALL Itami



DBJ Green Building Certification

The DBJ Green Building Certification system is a system established in April 2011 by DBJ, to support real estate properties that demonstrate environment and social considerations.

As for the retail properties, DBJ Green Building Certification for retail facilities was established in October 2014, and four properties in our portfolio (Nara Family, mozo wonder city, Oyama Yuen Harvest Walk and GYRE) were awarded the certification for the first time in J-REIT.

Certification rank	Property name
Properties with exceptionally high environmental & social awareness 	<ul style="list-style-type: none"> • Nara Family • mozo wonder city • Abiiko Shopping Plaza
Properties with excellent environmental & social awareness 	<ul style="list-style-type: none"> • Oyama Yuen Harvest Walk • KAWASAKI Le FRONT
Properties with high environmental & social awareness 	<ul style="list-style-type: none"> • GYRE





Japan Retail Fund Investment Corporation

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