

**Japan Retail Fund Investment Corporation**  
**28<sup>th</sup> Semi-Annual Report**

**September 1, 2015 – February 29, 2016**

# Japan Retail Fund Investment Corporation (JRF)

## J-REIT Specializing in Retail Properties

**JRF was established in 2002 as the first investment corporation in Japan to specialize in retail properties, and was the third REIT to be listed in Japan. JRF currently owns 96 properties throughout Japan, with a value of approximately 860 billion yen, making it the largest J-REIT specializing in retail properties, and the third largest among all REITs listed in Japan. (As of March 31, 2016)**

## Suburban + Urban

**JRF's portfolio is characterized by a good balance of suburban properties with “top-selling level in the region” which maintain firm sales, and urban properties with brand appeal, and that are well located with future potential. When selecting properties, JRF thoroughly examines investment yields, as well as other criteria such as the business area, tenant mix, traffic access and building conditions from a professional viewpoint.**

## Stable Distributions

**As a retail property management professional, JRF maintains portfolio quality by carrying out proactive and strategic renovations and tenant replacement. Since the listing, JRF has consistently maintained a high occupancy rate of above 99% for the entire portfolio, and has been able to deliver stable distributions to unitholders by establishing a solid revenue base.**

## Strong Sponsors

**The sponsors of the asset management company are Mitsubishi Corporation, Japan’s largest general trading company, and UBS AG, one of the world’s largest financial institutions. While leveraging both sponsors’ superior business know-how, track record and high credibility, JRF flexibly incorporates its own unique investment management approach, independent of its sponsors, to carry out optimal asset management at any given time.**

## **To Our Unitholders**

We have implemented strategic measures to achieve growth in profitability and stability.

**I would like to take this opportunity to express my sincere gratitude to all investors for their ongoing support of Japan Retail Fund Investment Corporation (JRF).**

I express my sincere sympathy to those affected by the recent Kumamoto Earthquake and wish for a quick recovery from the effects of the disaster.

**JRF provided stable distributions again for the current fiscal period by expanding size and enhancing quality of the portfolio.**

During the fiscal period ended February 29, 2016, economic conditions continued to be unstable particularly overseas against the backdrop of uncertainty about the future of emerging economies including China and the fall in crude oil and other resource prices. Meanwhile, in Japan, the real GDP growth rate from October to December 2015 showed negative growth for the first time in two quarters. However, in part, the Japanese economy appears to be on a gradual recovery path supported by improvement in the employment and income environment. In the J-REIT market, the Bank of Japan announced in December 2015 that it would increase the limit for J-REIT purchases to 10% of the total investment units issued. In addition, the central bank's subsequent announcement on the adoption of negative interest rates followed by a further fall in long-term interest rates led yield advantage to improve, and the TSE REIT Index has remained strong.

Under such conditions, JRF continued to ensure stable rental revenue based on a large and well-balanced portfolio. Using the funds from public offering that was conducted for the fifth consecutive year, and borrowing, JRF expanded its asset size through acquisition of seven properties<sup>\*1</sup> (total acquisition price: approximately 38.8 billion yen) in September and October 2015. Subsequently, as part of JRF's asset replacement strategy which aims to optimize asset structure, JRF sold five suburban type properties<sup>\*2</sup> (total sales price: approximately 68.5 billion yen) and carried out the acquisition of urban type properties using the disposition proceeds. Through these strategic measures, JRF has enhanced profitability and stability of the portfolio.

As a result, operating revenue increased by 3.4% from the previous fiscal period to 32,017 million yen and net income increased by 1.7% to 10,912 million yen. Total cash distributions amounted to 10,719 million yen and distribution per unit was maintained at 4,200 yen. As of the end of the 28<sup>th</sup> fiscal period, JRF holds 94 properties with a total value of 852.4 billion yen on an acquisition price basis.

**JRF aims to further enhance profitability and stability through portfolio management.**

JRF is implementing measures for asset size expansion, asset replacement and value enhancement of existing properties through portfolio management.

In particular, measures for asset size expansion and asset replacement not only contributed to increasing the proportion of urban properties but also mitigated the risk of over-concentration in specific tenants and enhanced the stability of the portfolio through portfolio diversification.

While the J-REIT market remains favorable, competition is growing severe, and it is imperative that we carry out

strategic and multi-dimensional management to move ahead in the competition and attain further growth. JRF will pursue portfolio management by leveraging its strengths, such as its SC (shopping center) management capability, sourcing ability and fund procurement ability, with the aim of heightening the quality of portfolio to secure stable profitability and stabilize and increase the level of distributions. We will continue to strive to live up to investors' expectations, together with the asset manager, Mitsubishi Corp.-UBS Realty Inc., and look forward to receiving your continued support.

\*1 Including the additional acquisition of co-ownership interest in mozo wonder city and acquisition of a property adjacent to G-Bldg. Minami Aoyama 01.

\*2 Out of the five properties, a 30% co-ownership interest in AEON MALL Kashiihama was sold on October 15, 2016. It is expected that the remaining 19% and 51% co-ownership interest in AEON MALL Kashiihama are to be sold at the end of August and September 2016.

Japan Retail Fund Investment Corporation

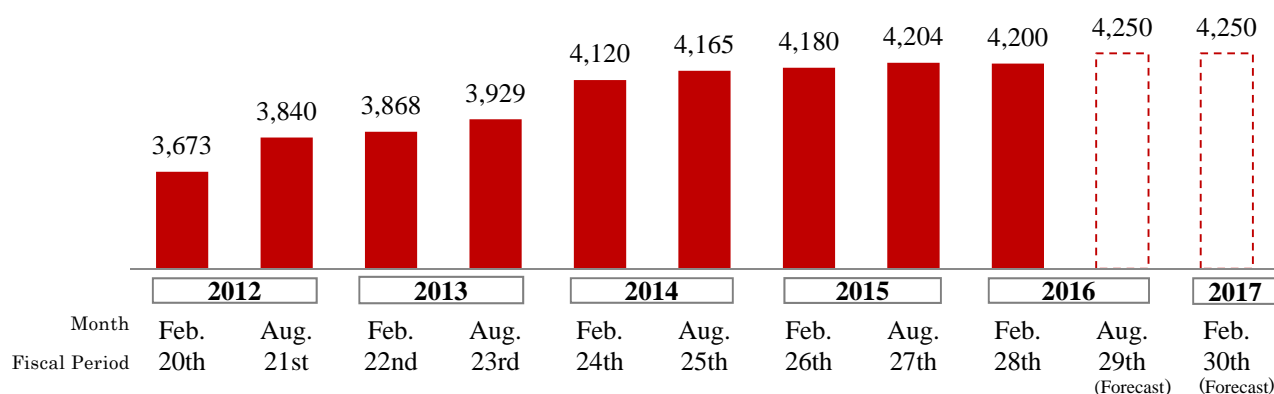
Executive Director

Shuichi Namba

## Highlights of the 28<sup>th</sup> Fiscal Period

- Sold five suburban properties based on the asset replacement strategy and realized a gain on all of the sales transactions
- Promoted acquisition of prime assets, mainly urban properties, by utilizing the disposition proceeds
- Started renewal works at Nara Family (Nara-shi, Nara) and KAMISHIN PLAZA (Osaka-shi, Osaka)
- Started expansion work at Ito-Yokado Yotsukaido (Yotsukaido-shi, Chiba)
- Took out new borrowings by focusing on flexibility of financing in order to carry out agile portfolio management

### ➤ Distribution per unit (Japanese Yen)

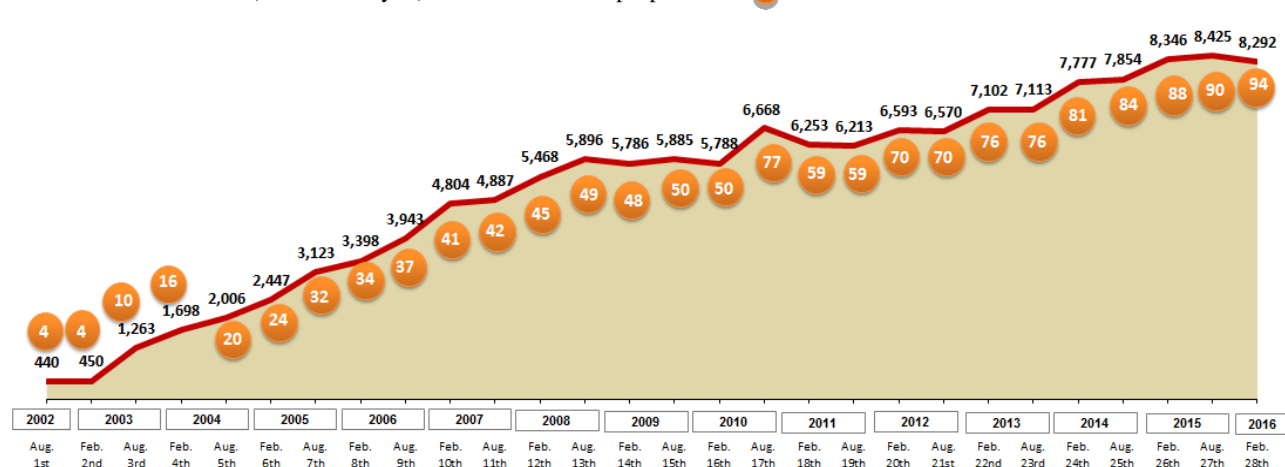


### ➤ Financial results

	Aug. 2014 fiscal period	Feb. 2015 fiscal period	Aug. 2015 fiscal period	Feb. 2016 fiscal period
Operating Revenue	29.5 billion yen	31.3 billion yen	30.9 billion yen	32.0 billion yen
Operating Income	12.2 billion yen	13.6 billion yen	12.8 billion yen	13.6 billion yen
Net Income	9.6 billion yen	10.6 billion yen	10.7 billion yen	10.9 billion yen
NAV per Unit	158 thousand yen	160 thousand yen	161 thousand yen	162 thousand yen

### ➤ Total assets and the number of properties

— Total assets (100 million yen)      ● Number of properties



## **Interview with the President of the Asset Management Company**

Through portfolio management, JRF will pursue optimization of the asset structure from a multi-dimensional perspective and achieve sustainable growth of unitholder value.

### **Q1. Please start with a review of the 28<sup>th</sup> fiscal period (period ended February 2016).**

We were able to enhance the quality of portfolio in the 28<sup>th</sup> fiscal period. By completing the public offering that was conducted for the fifth consecutive year and acquiring new properties, centering on urban properties, JRF managed to expand the asset size and diversify the portfolio in achieving further stabilization. In addition, we took advantage of the favorable real estate sales market and sold five suburban retail properties, aiming to enhance the quality of the portfolio and made use of the funds attained from the sales of properties to acquire urban properties.

During the 28<sup>th</sup> fiscal period, we combined the funds of about 23.9 billion yen procured through a public offering implemented for five consecutive years and the new loans of 16.5 billion yen set out simultaneously to acquire seven prime assets\*, centering on urban retail properties, from September to October 2015. Through acquisition of properties that are located close to major terminal station, and in areas in which continuing consumer demand can be expected and where tenancy demand is high, we have increased the proportion of investment in urban retail properties and achieved greater diversification of the portfolio.

In order to pursue strategic replacement of assets aimed at improving tenant concentration risk and increasing the proportion of urban properties, we sold five suburban properties and appropriated the funds from the sales of properties to acquire prime assets, primarily urban properties. Through the replacement of assets, we realized income from the sales of all five properties and we plan on posting a gain from sales for three fiscal periods by dispersing the delivery timing to compensate for the decline in operating profits associated with sales of properties. In addition, we will retain part of the gain on sales as reserves to be appropriated to temporary expenses (demolition cost, loss on retirement, etc.) arising from large-scale refurbishment and rebuilding, etc. based on a policy to promote stable distributions.

\* Including the additional acquisition of co-ownership interest in mozo wonder city and acquisition of a property adjacent to G-Bldg. Minami Aoyama 01.

### **Q2. Could you please tell us about the measures utilizing JRF's proprietary SC management capability that are being actively implemented?**

In order to increase the profitability and stability of the portfolio, it is imperative that we not only work to expand the asset size through acquiring assets but also to take initiatives to promote, maintain and reinforce the competitiveness of the properties. At JRF, we make use of our SC (shopping center) management capability, which is one of our key strengths, to carry out various action plans set out toward increasing the competitiveness of the properties on a medium-and-long term.

During the 28<sup>th</sup> fiscal period, mozo wonder city (Nagoya-shi, Aichi), one of the leading large-scale shopping centers in the country, was reopened in September 2015 after the completion of the first phase of a large-scale renewal project. Given the major replacement of tenants among other factors, the shopping center was revived into an even more attractive facility and has been attracting a number of customers. Meanwhile, at Nara Family (Nara-shi, Nara) and KAMISHIN PLAZA (Osaka-shi, Osaka), steps to replace tenants and renewal work to spruce up the facility environment associated with the replacement of tenants began. In addition, at Ito-Yokado

Yotsukaido (Yotsukaido-shi, Chiba), we are proceeding with the building extension work aimed at increasing profitability of the facility.

JRF's proprietary measures to increase asset value based on its extensive know-how in SC management capability developed over many years of investment management experience have been demonstrating steady results and receiving high recognition from external parties. Oyama Yuen Harvest Walk (Oyama-shi, Tochigi), where we implemented renewal work to achieve a comfortable shopping environment and an attractive tenant mix, has been attracting a stable number of customers and maintaining steady sales since the reopening in April 2014. As a result of high recognition for the renewal concept and environmental plan, the property won the silver award in the 2015 ICSC (International Council of Shopping Centers) Asia Pacific Shopping Center Awards.

**Q3. Please tell us about recent changes in the portfolio, including replacement of assets and acquisition of urban retail properties.**

JRF is working to enhance the quality and pursue further diversification of the portfolio through acquisition of prime urban properties using the funds procured from sales of suburban properties to increase the proportion of investment in urban retail properties while maintaining the level of cash distributions.

JRF promotes optimization of the asset composition while adapting flexibly to the changes in demographics, consumption structure and trends in Japan, and as part of this approach, JRF works to implement strategic replacement of assets and increase the proportion of investment in urban retail properties with the aim of enhancing profitability and stability of the portfolio.

During the 28<sup>th</sup> fiscal period, JRF sold five suburban properties<sup>\*1</sup> – AEON MALL Yachiyo-Midorigaoka (Yachiyo-shi, Chiba), AEON Nishi Otsu (Otsu-shi, Shiga), AEON Ueda (Ueda-shi, Nagano), AEON Omiya (Saitama-shi, Saitama), and AEON MALL Kashiihama (Fukuoka-shi, Fukuoka) – for a total of approximately 68.5 billion yen in October 2015. Utilizing the funds from these sales, JRF acquired five prime urban retail properties located in major commercial areas in Tokyo and Osaka and in central parts of Kyoto and Sendai in October and thereafter.

Following is a description of the properties newly acquired. G-Bldg. Ginza Chuo-dori 01<sup>\*2</sup> (Chuo-ku, Tokyo) is a very rare retail complex located on Ginza Chuo-dori, which is the main street in the first-class commercial district of Ginza. It is the first property acquired by JRF in this area. Situated in the most flourishing neighborhood in Tokyo, the property offers stable rental revenue from tenants and mid-to-long-term growth potential. We anticipate that owning a property in an area which is well known also internationally has an effect of attracting greater attention of overseas investors and tenants operating globally.

G-Bldg. Kichijoji 02 (Musashino-shi, Tokyo) is a large retail facility located in front of Kichijoji Station in a bustling commercial area of Tokyo. It is a property recently built (in September 2014) and a leading electronics retailer is a tenant.

G-Bldg. Shinsaibashi 04 (Osaka-shi, Osaka) is a retail complex facing a flourishing shopping arcade located very close to Shinsaibashi Station. Following the acquisition of G-Bldg. Shinsaibashi 04 (Bldg. A) in October 2015, JRF acquired G-Bldg. Shinsaibashi 04 (Bldg. B) adjacent to Building A in March 2016. We are considering redeveloping the property in the future on top of pursuing synergistic effects from tenant leasing and promoting operating cost efficiency through uniform operation. G-Bldg. Sendai Ichibancho 01 (land) (Sendai-shi, Miyagi) is a property acquired for the first time by JRF in the Ichibancho area of Sendai and a globally famous fashion brand will be newly opening. JRF acquired the land in December 2015 and plans on acquiring the building in September

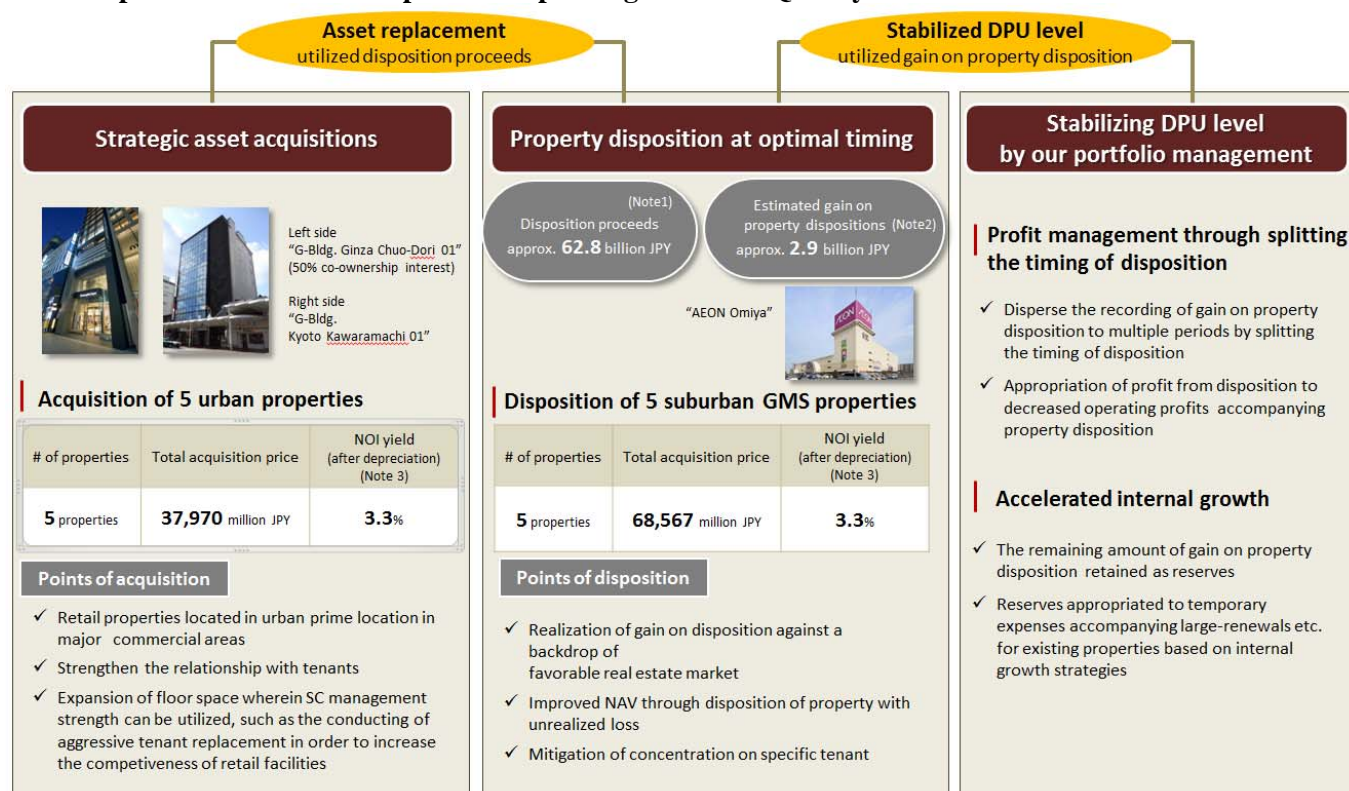
of this year after the seismic reinforcement work and building refurbishment work are conducted at seller's cost.

G-Bldg. Kyoto Kawaramachi 01 (Kyoto-shi, Kyoto) is an urban retail facility facing Kawaramachi-dori in one of the major entertainment districts in Kyoto. Given the building's favorable location and future potential, JRF's policy is to attract tenants that can make the best of the location and facility and to actively increase profitability.

As described, JRF managed to enhance the quality of portfolio and achieve further diversification as a result of acquiring prime urban properties that respectively offer attractive features. Having acquired prime properties located in leading commercial areas and attractive properties that have tenants with high brand power by leveraging the abundant information along with the network built by JRF as one of the largest buyers of retail properties in Japan and through collaboration with Mitsubishi Corporation and the UBS Group, JRF's sponsors, we have a strong sense of accomplishment in having implemented a measure for replacement of assets that leads to increasing unitholder value.

- \*1 With regard to AEON MALL Kashiihama, a 30% co-ownership interest was sold on October 15, 2015. It is expected that a 19% and 51% co-ownership interest are to be sold at the end of August 2016 and September 2016, respectively.
- \*2 Acquisition of a 50% co-ownership interest. JRF acquired 27.5% co-ownership interest in March 2016 and 22.5% in April 2016. In consideration of the balance of investment location in the overall portfolio and the balance between quality and yield, JRF will share the co-ownership interest of the property 50-50 with the real estate fund operated by a group company of Mitsubishi Corporation.

## Asset Replacement for the Purpose of Improving Portfolio Quality



(Note 1) The disposition proceeds are the figure equal to the disposition price minus the assumed gain on the property disposition<sup>(Note 2)</sup> and the amount of tenant leasehold deposits and security deposits for the disposed property.

(Note 2) Estimated gain on property disposition is the figure resulting from the disposition price minus the assumed book value as of each of the disposition dates and amount for expenses related to the disposition.

(Note 3) The NOI yield after depreciation is calculated as shown below.

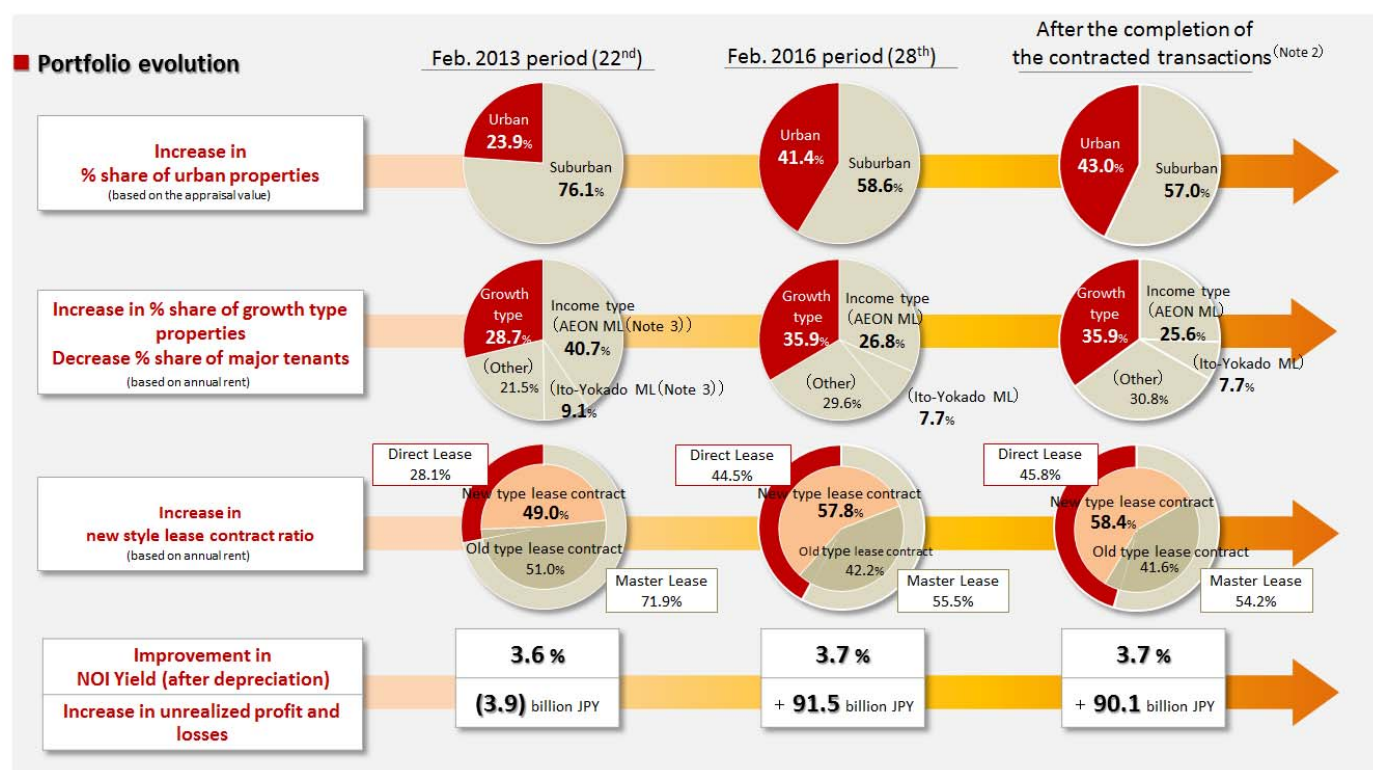
NOI yield after depreciation = (real estate leasing business income – real estate leasing business expenses) / acquisition price [rounded off to the first decimal place]

Acquisition: This is calculated using yearly revenue and expenditure figures based on lease contracts that have been concluded by the date of acquisition. Moreover, depreciation expenses are calculated based on the roughly estimated amount at the time of the acquisition.

Disposition: The amount is based on the annualized figures of the actual figures for the fiscal year ended August 31st 2015 (27th fiscal period).



## Portfolio Metrics Constantly Improving Through Our Persistent Efforts



(Note 1) Based on 94 properties as of Feb. 29, 2016.

(Note 2) Based on 96 properties after the completion of contracted transactions. Excluding AEON Mall Kashiihama (to be disposed on August 31, 2016 and September 30, 2016) and including G-Bldg. Kyoto Kawaramachi 01 (acquired on March 18, 2016), G-Bldg. Shinsaibashi 04 (Bldg. B) (acquired on March 31, 2016), G-Bldg. Ginza Chuo-dori 01 (27.5% acquired on March 1, 2016 and 22.5% to be acquired on April 28, 2016) and G-Bldg. Sendai Ichibancho 01 (to be acquired on September 30, 2016).

(Note 3) "AEON ML" refers to the total annual rent of AEON Retail, AEON MALL, AEON Kyushu, AEON Ryukyu and AEON TOWN, which are master lease tenants of income type properties. "Ito-Yokado ML" refers to the total annual rent of Ito-Yokado, which are master lease tenants of income type properties.

### Q4. What measures are being taken to maintain and reinforce stability of the financial base?

JRF strives to maintain and increase stability of its financial base by pursuing diversification of financing means, dispersing repayment due dates and levelling repayment amounts, thereby properly controlling LTV (Loan to Value; includes deposits and guarantees). During the 28<sup>th</sup> fiscal period, we took out loans centering on flexibility of financing in order to carry out agile portfolio management.

Let me talk about the major financial measures we carried out during this fiscal period.

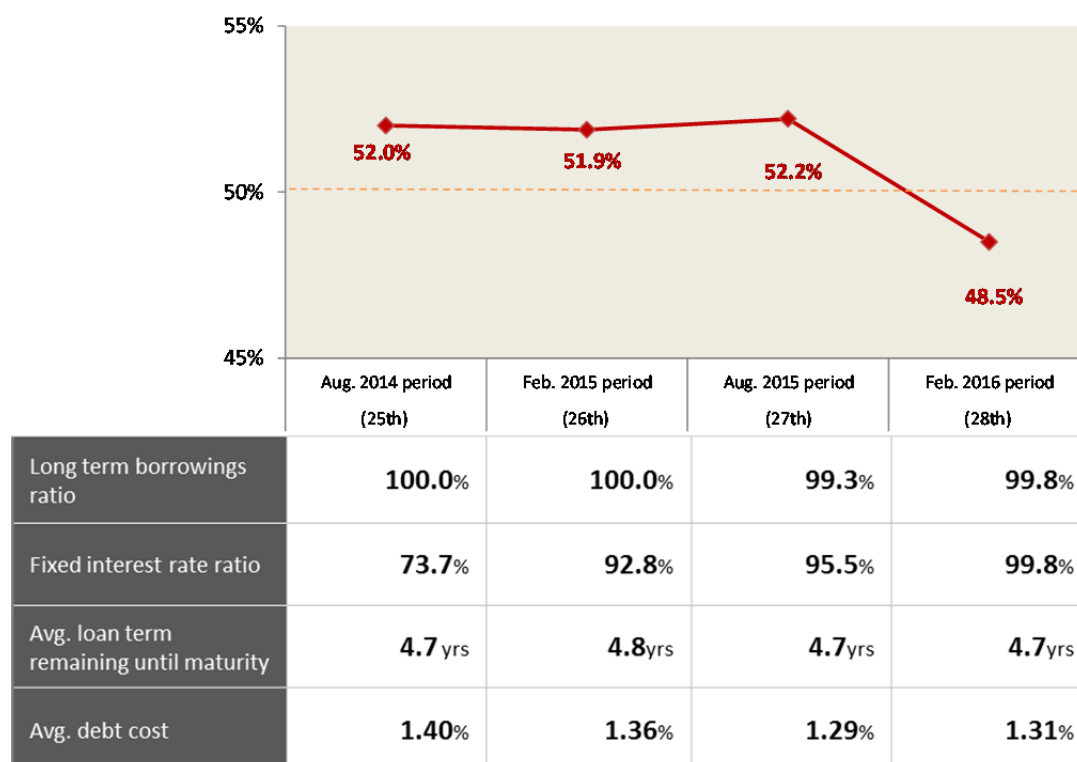
First of all, we took out new loans totaling 16.5 billion yen in line with the public offering in September 2015. In doing so, we chose loans with floating interest rates that allow early repayment without incremental cost in order to carry out agile portfolio management. Subsequently, in October, we executed early repayment for the floating interest-bearing loans of 36.3 billion yen, including the aforesaid 16.5 billion yen, in consideration of capital efficiency and by appropriating the funds acquired through the sales of five suburban properties described earlier.

Then in February of this year, when maturity dates for long-term loans totaling 11 billion yen arrived, we refinanced 1 billion yen to short-term loans and repaid 10 billion yen. In the same month, the redemption period arrived for the 3<sup>rd</sup> Series Unsecured Investment Corporation Bonds (10 billion yen, 10-year bond). Taking advantage of the situation where interest rates further dropped following the Bank of Japan's adoption of negative

interest rates, we took out new loans for the same amount and same term and appropriated the amount for the redemption to reduce the cost of debt.

JRF's LTV remains within the management range of 45 to 55% and marked 48.5% at the end of the 28<sup>th</sup> fiscal period. JRF will continue to secure flexibility in finance to carry out agile portfolio management aimed at achieving sustainable growth of its portfolio and strive to build a financial base with long-term stability by focusing on debt cost control with a view to promoting stabilization of the level of cash distributions.

## Financial Indices



(Note) Above indices are computed based on the amount which the sum of ending balance of interest-bearing debt and tenant leasehold and security deposits (including tenant leasehold and security deposits in trust).

**Q5. Lastly, please tell us your message to investors.**

As measures to achieve further growth through portfolio management, JRF is taking initiatives for asset size expansion, asset replacement, and value enhancement of existing properties. JRF remains committed to making efforts to maximize unitholder value by executing and combining the effects of three strategies – external growth strategy, internal growth strategy and financial strategy - while responding with speed to changes in the environment.

JRF is implementing portfolio management by leveraging its SC management capability, high sourcing ability and fund procurement ability, and is working on building a stable portfolio based on its assets, which are the largest as a J-REIT specialized in retail property. Going forward, we will continue to acquire new assets that contribute to increasing unitholder value and enhance the quality of portfolio by reinforcing the competitiveness of our properties with the aim of achieving sustainable growth of cash distributions by increasing profitability.

Mitsubishi-Corp. UBS Realty Inc., the asset manager of JRF, received the Best IR Award for Small and Mid-cap Companies in the 20<sup>th</sup> IR Awards of the Japan Investor Relations Association. We will be true to the high recognition received and continue to actively carry out IR activities to heighten the understanding of investors.



JRF will make the utmost effort to meet the expectations of its unitholders by striving to maximize the unitholder value under the enhanced new structure. We look forward to receiving your continued support and guidance.

Toru Tsuji  
President & CEO  
Mitsubishi Corp. – UBS Realty Inc.

# JRF x Sustainability

## Towards Sustainable Society

1

### DBJ Green Building Certification\*

Received on April 4, 2016



DBJ Green Building

Properties with exceptionally high environmental & social awareness	Properties with excellent environmental & social awareness	
Narupark (Nagoya-shi, Aichi)	DFS T GALLERIA OKINAWA (Naha-shi, Okinawa)	Kyoto Family (Kyoto-shi, Kyoto)



JRF received the certification for four properties in 2014 and for two properties in 2015. Subsequently, in April 2016, JRF received the certification for three properties, bringing the total number of certified properties to nine. Furthermore, based on the reevaluation of 2015, the ranks for “mozo wonder city” (Nagoya-shi, Aichi) and “GYRE” (Shibuya-ku, Tokyo), which had been certified in 2014, were raised by one. As a result, “mozo wonder city” is given the highest rank in recognition as “property with exceptionally high environmental & social awareness.”

\* The DBJ Green Building Certification is a certification system established by the Development Bank of Japan to support real estate properties that demonstrates environmental and social consideration. It comprehensively assesses and evaluates each property into five ranks

2

### “CASBEE for Building” Certifications<sup>\*1</sup>

Received on February 29, 2016

S Rank
AEON Tabata Shopping Center (Kitakyusyu-shi, Fukuoka)
AEON Mall Sapporo Hassamu <sup>*2</sup> (Sapporo-shi, Hokkaido)

In 2015, three properties owned by JRF were evaluated as S Rank and one property was evaluated as A Rank. In February 2016, an additional two properties received S Rank evaluations; now a total of six properties owned by JRF are certified.

\*1 CASBEE is an evaluation system that evaluates and 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 comprehensively evaluate the environmental performance of each building and structure including its aesthetic appeal.

\*2 AEON Mall Sapporo Hassamu has received the certification through joint effort with AEON Hokkaido Co., Ltd., the tenant of the property.

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			24th	25th	26th	27th	28th
As of /for the six months ended			February 28, 2014	August 31, 2014	February 28, 2015	August 31, 2015	February 29, 2016
Operating revenues	Note 1	(Millions of yen)	29,083	29,562	31,399	30,962	32,017
(Rental revenues)	Note 1	(Millions of yen)	(29,058)	(29,516)	(30,614)	(30,962)	(31,028)
Operating expenses	Note 1	(Millions of yen)	16,966	17,339	17,707	18,146	18,332
(Rental expenses)	Note 1	(Millions of yen)	(14,328)	(14,657)	(14,906)	(15,285)	(15,400)
Operating income		(Millions of yen)	12,116	12,223	13,692	12,816	13,684
Ordinary income		(Millions of yen)	9,588	9,613	11,061	10,217	11,154
Net income	(a)	(Millions of yen)	9,614	9,613	10,658	10,731	10,912
Net assets	(b)	(Millions of yen)	365,840	365,878	390,928	391,559	414,705
(Period-on-period change)		(%)	(+13.9)	(+0.0)	(+6.8)	(+0.2)	(+5.9)
Total assets	(c)	(Millions of yen)	777,706	785,442	834,687	842,568	829,239
(Period-on-period change)		(%)	(+9.3)	(+1.0)	(+6.3)	(+0.9)	(-1.6)
Unitholders' capital		(Millions of yen)	338,940	338,940	363,254	363,254	387,198
(Period-on-period change)		(%)	(+14.7)	(0.0)	(+7.2)	(0.0)	(+6.6)
Number of units issued and outstanding	(d)	(Units)	2,308,198	2,308,198	2,430,198	2,430,198	2,552,198
Net asset value per unit	(b)/(d)	(Yen)	158,495	158,512	160,862	161,122	162,489
Total distributions	(e)	(Millions of yen)	9,509	9,613	10,158	10,216	10,719
Distribution per unit	(e)/(d)	(Yen)	4,120	4,165	4,180	4,204	4,200
(Profit distribution per unit)		(Yen)	(4,120)	(4,165)	(4,180)	(4,204)	(4,200)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 2	(%)	1.3 (2.6)	1.2 (2.4)	1.4 (2.8)	1.2 (2.4)	1.3 (2.7)
Return on unitholders' equity	Note 2	(%)	2.8 (5.6)	2.6 (5.2)	2.8 (5.7)	2.7 (5.4)	2.7 (5.4)
Ratio of net assets to total assets	(b)/(c)	(%)	47.0	46.6	46.8	46.5	50.0
(Period-on-period change)		(%)	(+1.8)	(-0.4)	(+0.2)	(-0.3)	(+3.5)
Payout ratio	(e)/(a)	(%)	98.9	100.0	95.3	95.2	98.2
Additional information:							
Rental net operating income (NOI)	Note 2	(Millions of yen)	20,655	20,748	21,805	21,914	21,767
Net profit margin	Notes 2 and 4	(%)	33.0	32.5	34.0	33.0	34.1
Debt service coverage ratio	Notes 2 and 4	(Multiple)	8.9	8.6	9.0	8.8	9.4
Funds from operation (FFO) per unit	Notes 2 and 4	(Yen)	6,710	6,695	6,582	6,770	6,293
FFO multiples	Notes 2 and 4	(Multiple)	14.8	16.4	19.3	16.6	20.3
Distributable income per unit after adjustment for taxes on property and equipment	Note 3	(Yen)	4,114	4,158	4,359	4,412	4,256
FFO per unit after adjustment for taxes on property and equipment	Notes 3 and 4	(Yen)	6,658	6,688	6,555	6,767	6,274

Note 1 Consumption taxes are not included.

Note 2 Figures are calculated as below formulas. Percentages in parentheses are annualized using 181,184,181,184 and 182 days for the 24th, 25th, 26th, 27th and 28th fiscal period, respectively.

Ratio of ordinary income to total assets	Ordinary income/Average total assets Average total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2
Return on unitholders' equity	Net income/Average net assets Average net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2
Rental net operating income (NOI)	(Rental revenues – Rental expenses) + Depreciation
Net profit margin	Net income/Operating revenues
Debt service coverage ratio	Net income before interest expenses, amortization of bonds issuance costs and depreciation/Interest expenses
Funds from operation (FFO) per unit	(Net income + Loss on sales of property – Gain on sales of property + Depreciation + Other depreciation related property)/Number of units issued and outstanding
FFO multiples	Market price per unit at end of period/Annualized FFO per unit

Note 3 The figures indicate pro forma distributable income per unit and pro forma FFO per unit assuming that taxes on property and equipment were not capitalized but charged to income in the periods in which were incurred. The distributable income is calculated as total of cash distributions declared plus retained earnings carried forward. These figures are unaudited.

Note 4 Net income used for calculation of "Net profit margin", "Debt service coverage ratio" and "FFO multiples" does not include deferred income taxes.

## 2. Outline of asset management operation for the 28<sup>th</sup> fiscal period

### (1) Principal activities

Japan Retail Fund Investment Corporation (“JRF”) was established under the Law Concerning Investment Trusts and Investment Corporations of Japan (“the Investment Act”) on September 14, 2001. It was the first investment corporation in Japan to specifically target retail real estate assets. It was listed on the Real Estate Investment Trust (“REIT”) Section of the Tokyo Stock Exchange (securities code: 8953) on March 12, 2002.

In the fiscal period ended February 29, 2016, the 14<sup>th</sup> year after its listing, JRF issued new investment units in September 2015 for the fifth consecutive year. Combining the proceeds from this issuance with the funds obtained through borrowings, JRF acquired seven properties (two are additional acquisition of existing properties) for a total acquisition price of 38.8 billion yen. Also, in line with its asset replacement strategy, JRF disposed of 5 properties (one was disposal of a 30% co-ownership interest of trust beneficially right) for a total sales price of 58.4 billion yen in October 2015. Using the sales proceeds JRF acquired one property each in October 2015, December 2015 and February 2016, respectively, for a total acquisition price of 20.4 billion yen. Furthermore, JRF acquired an additional portion of land with leasehold interest of existing property in January 2016 for an acquisition price of 2.4 billion yen, using its own funds.

As a result, the total assets managed by JRF as at the end of the 28<sup>th</sup> fiscal period (fiscal period ended on February 29, 2016) amounted to 852.4 billion yen (the total acquisition price for 94 properties). In terms of the asset size, JRF is ranked third among all REITs listed in Japan (“J-REIT”).

### (2) Investment environment and results

#### i Investment Environment

##### • Macroeconomic trends

The foreign macroeconomic environment remains unstable, affected by uncertainty over the outlook for the economies of emerging countries including China, and the decline in resource prices including crude oil. Also, in Japan’s economy, in the October - December quarter of 2015, GDP in real terms decreased 0.3% from the previous quarter, registering a negative year-on-year drop for the first time in two quarters. However, a gradual recovery trend can be seen in some areas where the employment/income environment has improved.

In terms of the J-REIT market, the Bank of Japan announced in December 2015 that the ceiling for investing into units of single J-REIT is lifted from 5% to 10%, and subsequently in January 2016, negative interest rate policy was introduced, promoting increase in yield associated with a further decline in long-term interest rates. The Tokyo Stock Exchange REIT Index remains robust.

##### • Trends in the retail sector

According to the “Monthly Report on the Current Survey of Commerce (February 2016)”, released by the Ministry of Economy, Trade and Industry; retail sales (preliminary figure) increased by 0.5% from the same month of the previous year in February 2016, mainly due to a mild winter. Supermarket sales for February 2016 rose 3.4% from the same month of the previous year (on a same-store basis, as published by the Japan Chain Stores Association). Further, department store sales in February showed slight increase of 0.2% from the same month of the previous year (on a same-store basis, as published by the Japan Department Stores Association). Although weakness remains, consumption as a whole has been showing a steady trend due to robust personal consumption and inbound consumption.

##### • Trends in the real estate sector

The real estate transactions continued to be very strong since 2014, and land prices in commercial areas are continuing their rising trend.

Looking at the official land prices as of January 1, 2016, published by the Ministry of Land, Infrastructure, Transport and Tourism, the nationwide price average (for all land usage) turned positive for the first time in eight years since 2008 with a 0.1% increase from the previous year. Furthermore, land prices for commercial districts in the three major metropolitan areas (Tokyo, Osaka and Nagoya) saw an increase of 2.9% from the previous year, partially due to large-scale monetary easing and increased consumption by foreign tourists, mainly in the Tokyo/Ginza area and the Osaka/Shinsaibashi area. While regional areas as a whole have been on a decreasing trend, commercial land prices are rising in some core cities: land prices for commercial districts in the four central cities (Sapporo, Sendai, Hiroshima, and Fukuoka) rose by 5.7% year-on-year, exceeding the 2.7% year-on-year growth in the prior year.

## ii Results

Under the market environment described above, during this fiscal period, through issuance of new investment units and new borrowings in September 2015, JRF acquired five new properties (Takadanobaba (land with leasehold interest), G-Bldg. Akihabara 01, G-Bldg. Akihabara 02, G-Bldg. Umeda 01, and G-Bldg. Abeno 01), and additionally acquired 20% co-ownership interest in mozo wonder city and Bldg. B of G-Bldg. Minami Aoyama 01 in September and October 2015.

Moreover, in line with the asset replacement strategy which JRF considers to be one of its external growth strategies, JRF announced the sale of five suburban retail properties (AEON MALL Yachiyo Midorigaoka, AEON Omiya, AEON Nishi-Otsu, AEON Ueda, and AEON MALL Kashiihama) on October 14, 2015, of which JRF completed the sale during the current fiscal period, except for a 70% co-ownership of AEON MALL Kashiihama. Using the sales proceeds, JRF acquired three urban retail properties (G-Bldg. Shinsaibashi 04 (Bldg. A), G-Bldg. Sendai Ichibancho 01 (land with leasehold interest) and G-Bldg. Kichijoji 02).

Furthermore, JRF announced renewal plans for Nara family and KAMISHIN PLAZA and additional acquisition by building extension on premise of Ito-Yokado Yotsukaido as one of its growth strategies to enhance the value of existing properties through portfolio management.

Regarding Nara Family, JRF will further strengthen its position as the leading retail facility in Nara by transforming it into a high-quality retail property, focusing on continuity with the department store, the anchor tenant, in order to maximize the potential of the property. As for KAMISHIN PLAZA, JRF will establish a long-term stable revenue base by strengthening property competitiveness through tenant replacement on the main floor and improving the commercial environment. For Ito-Yokado Yotsukaido, JRF will aim to increase commercial accumulation by building the extension on part of the premises returned by the master lease tenant and leasing to a tenant in a business that is new to the existing building.

The occupancy rate of the properties owned by JRF as at the end of the fiscal period was stably maintained. The occupancy rate for 46 urban retail properties remained high at 99.4% together with 99.8% occupancy rate maintained for 48 suburban retail properties.

As a result of the above, the total assets managed by JRF at the end of the fiscal period came to 94 properties with a total value of 852,414 million yen on an acquisition price basis and 898,682 million yen on an appraisal value basis. The total leasable area was 2,842,989.82 m<sup>2</sup> with the total number of tenants standing at 1,007, and the occupancy rate of the overall portfolio was 99.7%.

As for unrealized losses/gains<sup>(Note)</sup> of the overall portfolio at the end of the fiscal period, unrealized gains increased by 20.6 billion yen from the end of the previous fiscal period to 91.5 billion yen due to the effects of various factors including the acquisition of new properties with unrealized gains, disposition of suburban properties with unrealized losses, a decrease in the cap rate compared with the end of the previous fiscal period, initiatives taken to enhance the value of existing properties located inside Tokyo's 23 wards and major urban areas in regions outside of Tokyo, and depreciation.

Note: "Unrealized losses/gains" is the difference between the appraisal value or survey value, and book value of the overall portfolio or individual property.

## (3) Funding

JRF, during this fiscal period, for the acquisition of seven new properties (two of which are additional acquisition of existing properties) (total acquisition price of 38.8 billion yen) first procured funds in the amount of 23.9 billion yen in total through the issuance of new investment units in a public offering (119,500 units) in September 2015 for the fifth consecutive year and issuance of new investment units through a third party allotment (2,500 units) in October, as well as borrowing in the amount of 16.5 billion yen in total during the period between September and October 2015.

Moreover, on October 30, 2015, JRF repaid existing debts with variable interest rates in the total amount of 36.3 billion yen with the funds derived from the sale of five suburban retail properties (one of which is a 30% co-ownership). Furthermore, JRF obtained short-term borrowings of 1 billion yen on February 3, 2016, to repay the existing borrowings of 11 billion yen, and obtained long-term borrowings of 10 billion yen in total on February 18, 2016 to reimburse Series 3 Unsecured Investment Corporation Bonds of 10 billion yen.

As a result, JRF's interest-bearing borrowings outstanding at the end of the fiscal period amounted to 349.5 billion yen, consisting of 1 billion yen of short-term borrowings, 311 billion yen of long-term borrowings<sup>(Note 1)</sup> and 37.5 billion yen of investment corporation bonds.

Consequently, the ratio of long-term borrowings, the ratio of fixed interest rates<sup>(Note 2)</sup>, and LTV<sup>(Note 3)</sup> were 99.7%, 99.8%, and 48.5%, respectively, at the end of the fiscal period.

Note 1: Long-term borrowings include borrowings that mature within a year.

Note 2: The ratio of fixed interest rates is calculated by dividing the total of fixed-rate debts (including debts, which the interest rates are fixed through interest rate swap agreements), investment corporation bonds and tenant leasehold and security deposits (including those in trusts) by the total of interest-bearing debts and tenant leasehold and security deposits (including those in trusts).

Note 3: LTV is calculated by dividing the total of interest-bearing debts and tenant leasehold and security deposits (including those in trusts) by total assets.

#### (4) Results and distributions

The operating revenue for the period was 32,017 million yen, and operating income was 13,684 million yen after deducting operating expenses such as fixed property tax and asset management fees. Ordinary income was 11,154 million yen, and net income was 10,912 million yen.

With regard to distributions, in accordance with the distribution policy set forth in Article 26, Paragraph 1, Item 2 of the Articles of Incorporation, JRF intends to distribute in excess of 90% of distributable profit under Article 67-15, Paragraph 1 of the Special Taxation Measures Law of Japan.

Based on such a distribution policy, total cash distributions declared for the fiscal period amounted to 10,719 million yen, after deducting internal reserves, as a reserve for distributions, of 193 million yen, which is part of the gain on the sale of five suburban retail properties (one of which is a 30% co-ownership), from unappropriated retained earnings for the fiscal period of 10,912 million yen. As a result, distribution per unit amounted to 4,200 yen.

JRF has a tax loss carried forward (which may be deferred until the fiscal year ending February 2020); therefore, there will be no tax on internal reserves.

### 3. Changes in unitholders' capital

The changes in unitholders' capital and number of units issued and outstanding for last five years were as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
September 14, 2011	Global offering	187,500	1,875,698	19,520	270,284	Note 1
October 12, 2011	Allocation of investment units to a third party	4,500	1,880,198	468	270,752	Note 2
October 1, 2012	Global offering	194,500	2,074,698	24,162	294,915	Note 3
October 31, 2012	Allocation of investment units to a third party	4,500	2,079,198	559	295,474	Note 4
October 2, 2013	Global offering	229,000	2,308,198	43,465	338,940	Note 5
September 25, 2014	Global offering	119,500	2,427,698	23,816	362,756	Note 6
October 22, 2014	Allocation of investment units to a third party	2,500	2,430,198	498	363,254	Note 7
September 9, 2015	Global offering	119,500	2,549,698	23,453	386,707	Note 8
October 7, 2015	Allocation of investment units to a third party	2,500	2,552,198	490	387,198	Note 9

Note 1 New investment units were issued at a price of ¥107,640 per unit (subscription price of ¥104,107 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 2 New investment units were issued at a price of ¥104,107 per unit through the allocation of investment units to a third party in order to raise funds for miscellaneous expenses relating to the acquisition of new real property.

Note 3 New investment units were issued at a price of ¥128,310 per unit (subscription price of ¥124,230 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 4 New investment units were issued at a price of ¥124,230 per unit through the allocation of investment units to a third party in order to raise funds for miscellaneous expenses relating to the acquisition of new real property and the issuance of the new investment units, or refund existing debts.

Note 5 New investment units were issued at a price of ¥195,902 per unit (subscription price of ¥189,805 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 6 New investment units were issued at a price of ¥205,702 per unit (subscription price of ¥199,300 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 7 New investment units were issued at a price of ¥199,300 per unit through the allocation of investment units to a third party in order to raise funds for acquiring of new real property (or specified assets in the future).

Note 8 New investment units were issued at a price of ¥202,566 per unit (subscription price of ¥196,261 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 9 New investment units were issued at a price of ¥196,261 per unit through the allocation of investment units to a third party in order to raise funds for acquiring of new real property (or specified assets in the future).



## Fluctuation in market price of the investment securities:

The market price of the investment securities on Tokyo Stock Exchange REIT Market fluctuated during each fiscal period as follows:

(Yen)					
Fiscal period	24th	25th	26th	27th	28th
As of /for the six months ended	February 28, 2014	August 31, 2014	February 28, 2015	August 31, 2015	February 29, 2016
Highest price	217,000	232,900	269,900	260,300	272,600
Lowest price	179,000	195,600	209,300	218,000	203,700
Closing price at end of period	200,800	218,200	256,500	223,600	257,200

## 4. Distributions

In accordance with the distribution policy in the JRF's article of incorporation 26, Paragraph 1, Item 2, which stipulates to make distribution in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, JRF transferred ¥193 million, a portion of gain on sales of property, to reserve for dividends from retained earnings as of February 29, 2016 in the amount of ¥10,912 million, and declared a total of ¥10,719 million for cash distributions, representing all of the remaining retained earnings after the transfer. As a result, distribution per unit amounted to ¥4,200 for the six months ended February 29, 2016.

Retained earnings (including reserve for dividends and reserve for reduction entry of property) shown in below table will be distributed mainly when; (a) a net of gain or loss on sales of property due to strategic replacement of investment assets in same fiscal period and loss on disposal of property due to a large-scale renewal for replacing tenants results in loss, or (b) additional income tax expenses due to differences between accounting profit and taxable profit are charged.

Fiscal period	24th	25th	26th	27th	28th
As of /for the six months ended	February 28, 2014	August 31, 2014	February 28, 2015	August 31, 2015	February 29, 2016
Net income (Thousands of yen)	9,614,210	9,613,708	10,658,506	10,731,054	10,912,308
Retained earnings (including reserve for dividends and reserve for reduction entry of property) (Thousands of yen)	2,432,454	2,432,518	2,932,797	3,447,298	3,640,375
Total distributions (Thousands of yen)	9,509,775	9,613,644	10,158,227	10,216,552	10,719,231
(Distribution per unit) (Yen)	(4,120)	(4,165)	(4,180)	(4,204)	(4,200)
Profit distributions (Thousands of yen)	9,509,775	9,613,644	10,158,227	10,216,552	10,719,231
(Profit distribution per unit) (Yen)	(4,120)	(4,165)	(4,180)	(4,204)	(4,200)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

## 5. Management policies and Issues

### (1) Outlook of overall operation

There are concerns over the impacts of a volatile financial market triggered by the plunge of the Chinese stock market since the beginning of this year and uncertainty over the outlook for the global economy on domestic household finances and business sentiment among Japanese firms. Under such circumstances, the Bank of Japan announced the introduction of negative interest rates in January 2016, in order to prevent the risk of adversely affecting price trends. In the future, the Bank of Japan will continue its monetary easing policy in

three dimensions adding a "Negative Interest Rate" to the previous "Quantitative" and "Qualitative" monetary easing, and also suggests the possibility that it may further lower interest rates where necessary. Although there are some signs of a recovery in personal consumption due to an improving income environment for consumers and a general increase in the level of economic activities in urban areas caused by so-called "inbound demand (demand from visiting foreigners)," JRF needs to carefully monitor the outlook, as well as economic trends.

Regarding the earnings of leading retailers that are also tenants of retail properties owned by JRF, as can be seen from recent announcements of their financial results, the gap between successful companies and unsuccessful ones is widening. JRF will continue to pay close attention to their earnings results.

Regarding the leasing environment of retail properties, earnings of some retailers are generally robust and consumption remains relatively strong, mainly for big ticket items, due to the polarization of consumption. In addition, inbound demand remained strong, although its momentum is less than previously. Therefore, JRF believes that the market environment is starting to show improvements in lease terms, mainly in urban areas where the motivation for opening specialty stores shows an upward tendency. In the meantime, competition is increasing among retail properties in suburban areas, and JRF will keep a close watch on the competitive environment of retail properties and the supply and demand conditions for opening specialty stores.

## (2) Issues to be addressed

JRF's asset size (total acquisition costs) is ranked third in the entire J-REIT market as at the end of February 2016, and ranked first among J-REITs specializing in retail properties. JRF has distinctive features in its investment portfolio targeting retail properties that belong to a variety of industries and business categories, including largest-class regional suburban retail properties generating solid sales in major cities across Japan and roadside shops and specialty buildings in good locations that are let out to tenants such as luxury brand shops.

When investing in retail properties, JRF considers it important to accurately assess changes in medium- and long-term population movements and consumer trends and to acquire properties by carefully examining locations, industries to which tenants belong and also business conditions of retail properties from longer perspectives. Accordingly, JRF's flexible asset allocation is considered to be a competitive advantage as a J-REIT specializing in retail properties.

In order to maintain and increase the long-term competitiveness of retail properties it has acquired, JRF considers it necessary to select tenants and develop business categories appropriately in the constantly-changing commercial / retail industry. JRF has taken active measures to raise the competitiveness of retail properties by utilizing its SC management ability<sup>(Note)</sup> built based on its past management experiences. This SC management ability will be the foundation for JRF's external and internal growth.

From this standpoint, JRF is a J-REIT specializing in investing in overall retail properties that belong to a variety of industries and business categories in various regions, and its asset manager actively participates in the operations of these retail properties. In other words, JRF is considered to have built its unique position even in comparison with other domestic and foreign REITs.

JRF aims to grow further by ensuring stability supported by its distinguishing asset size as a J-REIT, diversified investment in retail properties that belong to a variety of industries, and by pursuing both external and internal growth while controlling downside risks.

Note: "SC management" is part of JRF's strategy aimed at achieving internal growth through enhancing the profitability of its portfolio by newly introducing and replacing tenants to maintain and increase the sustainable competitiveness of retail properties, increasing store space by newly establishing or expanding properties, and making proactive efforts for cutting various costs.

### i External growth strategy

JRF aims to further diversify and strengthen the profitability and stability of its portfolio by expanding its asset size through the acquisition of retail properties of various industries and business categories.

With regard to investment targets, JRF will carefully select prime real estate in the four categories of large-scale retail properties which are the largest class in their respective areas, retail properties in densely-populated areas, retail properties in favorable locations adjacent to major stations, and roadside shops and specialty buildings in good locations. In addition to investing in conventional general merchandise retailers in product sales comprising various specialty stores and strong core stores, JRF will also target retail properties with high customer attraction. Such properties are mainly comprised of non-product selling businesses such as restaurants, services, relaxation, entertainment, medical clinics, and education, or contain a relatively high number of such businesses. Based on the basic strategy described above, JRF will acquire properties in a flexible and timely manner, suitably adjusting to the changing market conditions.

As to the strategy for the acquisition of new properties, JRF, as one of the largest domestic buyers of retail properties, makes use of its diverse deal sources based on its own network, CRE (Corporate Real Estate) strategies and sponsor networks, and using bridge structures to apply the optimal investment methodology in acquiring prime properties in a timely manner.

JRF considers property replacements that take account of its portfolio's overall profitability, stability and diversification as one of its external growth strategies. JRF will continue to work on property replacements proactively with the aim of improving the quality and profitability of its portfolio by rebalancing the portfolio through diversification by type of retail properties, by type of tenants and by area.

## ii Internal growth strategy

JRF continues to actively conduct SC management, aiming to improve its asset value by maintaining and strengthening the competitiveness of retail properties amid changes in various market environments. JRF has also actively taken various measures to improve the medium-and long-term competitiveness of retail properties by establishing a necessary operational system for SC management, aiming to improve the profitability and stability of its portfolio.

JRF also conducts daily management of existing properties focusing on SC management measures, and formulates and implements action plans to maintain and improve asset values. For these purposes, JRF assesses tenants' business conditions, building and facility management at each property, competitive environments, changes in consumer trends, and other factors. Since JRF considers that action plans for improving asset values can be divided into measures for revenue improvement and those for revenue stability, it aims to improve both the profitability and stability of its portfolio by combining these two measures through the management of the entire portfolio.

From the viewpoint of operating retail properties while being mindful of environmental and social responsibilities, JRF focuses on greening of facilities, energy conservation and reduction of CO2 emission. In the GRESB (Global Real Estate Sustainability Benchmark) Survey 2015 that evaluates the environmental responsiveness of real estate operators, JRF was designated as "Green Star" company, the highest ranking of the four categories in the GRESB Survey in 2015. JRF was highly evaluated especially in the aspects of "Management" and "Policy and Disclosure".

Note: GRESB (Global Real Estate Sustainability Benchmark) is an organization established in 2009 to enhance unitholder value by applying environmental, social and governance considerations to real estate investments.

## iii Financial strategy

JRF constantly works to improve further financial stability.

### a. Effort to secure the financial stability

JRF built a stable financial base, founded on the med- to long - term basic financial concept described below.

Basic concepts of mid- to long-term financing	Build a strong financial base to enable continuation of stable management even at the time of a deteriorating financial environment
	Secure financial flexibility to implement responsive portfolio management
	Finance debts at a competitive cost by maintaining high creditworthiness

### b. LTV control

While aiming at a LTV ratio of 50%, 45% to 55% range is set as JRF's LTV benchmark, comprehensively taking into consideration market conditions for fund procurement.

## iv Measures for ensuring delivery of stable distribution

JRF aims to ensure delivery of stable distribution over the long term by utilizing reserve for distribution, as well as provision for / reversal of reserves for advanced depreciation by applying the "Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc. in 2009 and 2010."

## 6. Subsequent events

None

# Outline of JRF

## 1. Investment unit

Fiscal period	24th	25th	26th	27th	28th
As of	February 28, 2014	August 31, 2014	February 28, 2015	August 31, 2015	February 29, 2016
Number of units authorized (Units)	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Number of units issued and outstanding (Units)	2,308,198	2,308,198	2,430,198	2,430,198	2,552,198
Number of unitholders (People)	20,562	19,980	20,305	19,147	18,448

## 2. Unitholders

Major unitholders as of February 29, 2016 were as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note 1) (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	450,419	17.64
Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	196,185	7.68
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	172,635	6.76
The Nomura Trust and Banking Co., Ltd. (Investment Trust)	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	100,103	3.92
NOMURA BANK (LUXEMBOURG) S. A.	BATIMENT A, 33, RUE DE GASPERICH, L-5826, LUXEMBOURG	84,357	3.30
THE BANK OF NEW YORK MELLON SA/NV 10	RUE MONTROYERSTRAAT 46, 1000 BRUSSELS, BELGIUM	70,899	2.77
STATE STREET BANK WEST CLIENT – TREATY 505234	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U. S. A.	54,196	2.12
STATE STREET BANK – WEST PENSION FUND CLIENTS – EXEMPT 505233	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U. S. A.	43,833	1.71
JP MORGAN CHASE BANK 385628	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM	42,212	1.65
STATE STREET BANK AND TRUST COMPANY 505223	P. O. BOX 351 BOSTON MASSACHUSETTS 02101 U. S. A.	40,357	1.58
Total		1,255,196	49.18

Note 1 Ratio of number of units owned to total number of units issued is calculated by rounding down to the second decimal place.

### 3. Officers

#### (1) Directors and independent auditor

(Thousands of yen)

Post	Name	Major additional post	Compensation or fees for the six months ended February 29, 2016 (Note2)
Executive Director	Shuichi Namba	Attorney-at-law of Momo-o, Matsuo & Namba	2,580
Supervisory Director	Masahiko Nishida	President of Marks group Co., Ltd. Certified public accountant / Tax accountant	1,680
	Masaharu Usuki	Professor at Graduate School of Economics of Nagoya City University	1,680
Independent auditor	PricewaterhouseCoopers Aarata	-	40,400

Note 1 There is no investment unit of JRF held by the Executive Director nor the Supervisory Directors in their own name or that of others. Although Supervisory Directors may have additional post in other company than listed above, there is no conflict of interests between those companies including listed above and JRF.

Note 2 Compensation for Directors indicates actual payments, and the independent auditor's fees consist of estimated audit fees on an accrual basis and ¥23,400 thousand of fees for English financial statement audit and issuance of a comfort letter with respect to public offering of investment units issued in September 2015.

#### (2) Policy for dismissal or refusal of reappointment of independent auditor

The Board of Directors shall dismiss independent auditor in accordance with the Act on Investment Trusts and Investment Corporation of Japan, if necessary. The Board of Directors shall also decide reappointment of independent auditor considering audit quality, fees or other various factors.

### 4. Name of asset manager and other administrator

Classification	Name
Asset manager	Mitsubishi Corp. - UBS Realty Inc.
Custodian	Mitsubishi UFJ Trust and Banking Corporation
Agency for unit investment securities transference and special account administrator	Mitsubishi UFJ Trust and Banking Corporation
General administrator (regarding book keeping)	Mitsubishi UFJ Trust and Banking Corporation
General administrator (regarding investment corporation bonds)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
General administrator (regarding income and other taxes)	PwC Tax Japan

Note On December 31, 2015, JRF cancelled the special account administration agreement with Sumitomo Mitsui Trust Bank, Limited and transferred all of the special accounts to Mitsubishi UFJ Trust and Banking Corporation.

## Condition of investment assets

### 1. Composition of assets

Classification of Assets	Region	As of August 31, 2015		As of February 29, 2016	
		Total of net book value (Note 1) (Millions of yen)	Composition ratio (%)	Total of net book value (Note 1) (Millions of yen)	Composition ratio (%)
Real property	Tokyo metropolitan area	23,587	2.8	17,118	2.1
	Osaka and Nagoya metropolitan areas	6,942	0.8	6,936	0.8
	Other metropolitan areas	-	-	2,949	0.3
	Sub-total	30,530	3.6	27,004	3.2
Trust beneficial interest in real property	Tokyo metropolitan area	372,817	44.3	374,518	45.2
	Osaka and Nagoya metropolitan areas	300,088	35.6	315,719	38.1
	Other metropolitan areas	99,667	11.8	89,899	10.8
	Sub-total	772,573	91.7	780,137	94.1
Bank deposits and other assets		39,464	4.7	22,097	2.7
Total assets		842,568	100.0	829,239	100.0

Note 1 Total of net book value is carrying amounts on the balance sheets (amounts of Real property and Trust beneficial interest in real property are book values net of depreciation) at the end of the fiscal period.

### 2. Major property

The principal properties (top ten properties in net book value) as of February 29, 2016 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
mozo wonder city (Note 4) (trust beneficial interest)	55,371	86,727.87	86,727.87	100.0	11.1	Retail facilities
Higashi-Totsuka Aurora City (trust beneficial interest)	46,940	109,365.50	109,365.50	100.0	4.4	Retail facilities
Nara Family (trust beneficial interest)	32,933	85,030.68	83,933.13	98.7	6.1	Retail facilities
KAWASAKI Le FRONT (trust beneficial interest)	30,363	56,109.52	55,449.42	98.8	5.8	Retail facilities
AEON MALL Musashi Murayama (trust beneficial interest)	27,111	137,466.97	137,466.97	100.0	3.0	Retail facilities
AEON MALL Tsurumi Ryokuchi (trust beneficial interest)	25,235	138,538.63	138,538.63	100.0	2.9	Retail facilities
G-Bldg. Shinsaibashi 03 (Note 5) (trust beneficial interest)	22,297	4,631.13	4,631.13	100.0	-	Retail facilities
GYRE (trust beneficial interest)	21,904	4,815.02	4,815.02	100.0	1.9	Retail facilities
AEON MALL Itami (trust beneficial interest)	19,321	157,904.26	157,904.26	100.0	1.9	Retail facilities
Kawaramachi OPA (trust beneficial interest)	18,371	18,848.20	18,848.20	100.0	1.2	Retail facilities
Total	299,850	799,437.78	797,680.13	99.8	-	

Note 1 Regardless the share of co-ownership or quasi-co-ownership, "Leasable area" means the total area of the building or land with leasehold interest of each property leasable as stores, offices, etc. indicated in the lease agreement or the plan of such property and it does not include the leasable area of warehouses and land (flat parking lots).

Note 2 Regardless the share of co-ownership or quasi-co-ownership, "Leased area" means the total leased area of the building or land with leasehold interest of each property used as stores, offices, etc. indicated in the lease agreement and it does not include the leased area of warehouses and land (flat parking lots).

Note 3 "Occupancy ratio" (percentage of leased area against the leasable area at the end of accounting period) and "Ratio of rental revenue to total rental revenues" are calculated by rounding to the nearest first decimal place.

Note 4 "Leasable area" and "Leased area" for the property which is leased partially in the form of a pass-through master lease is presented on an end-tenant basis.

Note 5 "Ratio of rental revenue to total rental revenues" of the property is not disclosed because the consent from the tenant has not been obtained.

### 3. Details of property

The retail facilities as of February 29, 2016 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
G-Bldg. Minami Aoyama 02	8-5, Minami Aoyama 5-chome, Minato-ku, Tokyo	Trust beneficial interest	1,529.15	5,390	5,241
G-Bldg. Kita Aoyama 01	14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo	Trust beneficial interest	492.69	1,520	945
G-Bldg. Jiyugaoka 01 (Note 4)	9-17, Jiyugaoka 2-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	1,358.82	3,824	2,576
Cheers Ginza	9-5, Ginza 5-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,686.58	4,190	3,976
GYRE	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,815.02	24,700	21,904
G-Bldg. Jingumae 06	28-3, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	670.43	2,530	2,351
G-Bldg. Jingumae 02	9-9, Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	426.29	1,700	2,296
G-Bldg. Minami Aoyama 01	4-48, Minami Aoyama 5-chome, Minato-ku, Tokyo, etc.	Trust beneficial interest	1,592.90	8,800	10,120
La Porte Aoyama (Note 5)	51-8, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,153.44	10,200	9,365
G-Bldg. Jingumae 03	30-12, Jingumae 3-chome, Shibuya-ku, Tokyo	Real property	1,676.87	4,070	5,484
G-Bldg. Minami-Ikebukuro 01 (Note 5)	19-5, Minami Ikebukuro 1-chome, Toshima-ku, Tokyo	Trust beneficial interest	5,061.47	7,930	6,206
Urban Terrace Jingumae	47-6, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,719.19	4,780	2,774
G-Bldg. Sangenjaya 01	15-4, Taishido 2-chome, Setagaya-ku, Tokyo	Trust beneficial interest	3,471.52	5,910	3,689
G-Bldg. Ginza 01	5-1, Ginza 6-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,610.54	7,810	5,587
KAWASAKI Le FRONT	1-11, Nissincho, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc.	Trust beneficial interest	56,109.52	37,100	30,363
G-Bldg. Omotesando 02	25-15 Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	5,555.65	20,250	17,838
G-Bldg. Kichijoji 01	12-12, Kichijoji Honcho 2-chome, Musashino-shi, Tokyo	Trust beneficial interest	1,512.03	3,990	3,587
CUTE CUBE HARAJUKU	7-1, Jingumae 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,428.54	9,300	8,572
G-Bldg. Nagoya Sakae 01	27-24, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi	Real property	927.09	2,030	1,970
G-Bldg. Abeno 01	4-7, Abenosuji 1-chome, Abeno-ku, Osaka-shi, Osaka	Trust beneficial interest	4,700.58	4,350	4,327
G Bldg. Umeda 01	15-22, Chayamachi, Kita-ku, Osaka-shi, Osaka	Trust beneficial interest	3,529.51	10,200	9,817
G-Bldg. Shinsaibashi 04	10-5 Minami Senba 3-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	1,180.39	2,480	2,446
8953 Osaka Shinsaibashi Building	4-12, Minami Senba 3-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	13,666.96	15,300	12,458
Bic Camera Tachikawa	12-2, Akebonocho 2-chome, Tachikawa-shi, Tokyo, etc.	Trust beneficial interest	20,983.43	17,800	12,699
Kawaramachi OPA	385, Komeyacho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	18,848.20	15,800	18,371
G-Bldg. Jingumae 01	21-5, Jingumae 4-chome, Shibuya-ku, Tokyo	Real property	555.75	3,950	3,399
G-Bldg. Shinjuku 01	1-8, Shinjuku 4-chome, Shinjuku-ku, Tokyo	Trust beneficial interest	1,093.67	7,940	6,593
G-Bldg. Shinsaibashi 01	5-3, Sinsaibashi-suji 2-chome, Chuou-ku, Osaka-shi, Osaka	Trust beneficial interest	886.46	2,500	1,599
Arkangel Daikanyama(Land with leasehold interest)	111-14, Aobadai 1-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	904.04	2,430	1,842
G-Bldg. Shinsaibashi 02 (Note 6)	3-24, Shinsaibashi-suji 1-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	—	5,680	4,343
Round1 Stadium Sennichimae(Land with leasehold interest)	1, Namba 1-chome, Chuo-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	1,711.63	9,870	8,091
Round1 Yokohama Station West	8-16, Minamisaikai 2-chome, Nishi-ku Yokohama-shi, Kanagawa	Trust beneficial interest	6,560.09	4,990	3,853
G-Bldg. Omotesando 01	1-9, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	1,508.03	7,510	5,882

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
Round1 Kyoto Kawaramachi	585, Uraderacho, Shijo-agaru yori Rokkaku-sagaru made, Teramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto, etc.	Trust beneficial interest	8,821.66	3,530	2,781
Round1 Hiroshima	3-11, Tatemachi, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	9,890.63	3,900	2,918
G-Bldg. Shinsaibashi 03	2-17, Shinsaibashisuji 1-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	4,631.13	26,000	22,297
G-Bldg. Daikanyama 01	35-17, Ebisu-Nishi 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	599.79	1,480	1,224
G-Bldg. Shibuya 01	20-13 Jinnan1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,582.08	4,010	3,219
DFS T GALLERIA OKINAWA	1-1, Omoromachi 4-chome, Naha-shi, Okinawa	Trust beneficial interest	42,088.14	17,600	15,941
EDION Kyobashi (Land with leasehold interest)	9-10, Gamo 1-chome, Joto-ku, Osaka-shi, Osaka	Trust beneficial interest	4,307.16	5,770	5,756
G-Bldg. Ueno 01	9-14 Ueno 4-chome, Taito-ku, Tokyo	Trust beneficial interest	1,471.80	3,530	3,453
G-Bldg. Akihabara 01	11-11, Sotokanda 1-chome, Chiyoda-ku, Tokyo	Trust beneficial interest	2,701.99	5,290	5,031
Takadanobaba (Land with leasehold interest)	100-1, Takadanobaba 2-chome, Shinjuku-ku, Tokyo	Trust beneficial interest	1,010.19	2,538	2,509
G-Bldg. Akihabara 02	1, Kanda Matsunaga-cho 2-chome, Chiyoda-ku, Tokyo	Trust beneficial interest	1,053.55	2,670	2,525
G-Bldg. Sendai Ichibancho 01	5-11 Ichibancho 3-chome, Aoba-ku, Sendai-shi, Miyagi, etc.	Real property	682.33	3,000	2,949
G-Bldg. Kichijoji 02	3-13, Kichijoji Minamicho 2-chome, Musashino-shi, Tokyo	Trust beneficial interest	8,838.79	15,800	15,423
Nara Family	4-1, Saidaiji-higashimachi 2-chome, Nara-shi, Nara	Trust beneficial interest	85,030.68	37,100	32,933
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-shi, Chiba	Trust beneficial interest	43,548.05	12,600	9,528
Kyoto Family	1-1, Ikejiricho, Yamanouchi, Ukyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	19,641.45	5,250	6,586
Higashi-Totsuka Aurora City	537-1, Shinanochi, Totsuka-ku, Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	109,365.50	41,900	46,940
Ito-Yokado Kawasaki	2-1, Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc.	Trust beneficial interest	65,313.47	13,490	14,090
Narupark (Note 5)	232 Urasato 3-chome, Midori-ku, Nagoya-shi, Aichi	Trust beneficial interest	15,227.61	4,960	7,648
Kishiwada CanCan Bayside Mall	2-1, Minatomidori machi, Kishiwada-shi, Osaka, etc.	Trust beneficial interest	38,266.11	4,900	7,305
Makuhari Plaza	7701, Makuharicho 2-chome, Hanamigawa-ku, Chiba-shi, Chiba	Trust beneficial interest	24,505.37	6,780	5,591
Izumisano Shofudai(Land with leasehold interest)	1138-1, Shofudai 1-chome, Izumisano-shi, Osaka	Trust beneficial interest	44,009.52	2,830	2,657
mozo wonder city (Note 7)	40-1, Futakatacho, Nishi-ku, Nagoya-shi, Aichi, etc.	Trust beneficial interest	86,727.87	64,500	55,371
pivo Izumi Chuo	1-2, Ibukino 5-chome, Izumi-shi, Osaka, etc.	Trust beneficial interest	21,182.94	6,870	5,749
Colline Bajikouen	4-18, Kamiyoga 2-chome, Setagaya-ku, Tokyo	Trust beneficial interest	5,368.02	3,970	3,159
KAMISHIN PLAZA	6-12, Osumi 1-chome, Higashiyodogawa-ku, Osaka-shi, Osaka	Trust beneficial interest	11,943.13	4,670	4,033
Oyama Yuen Harvest Walk (Note 7)	1475-52, Aza-kaido-nishi, Oaza-Kizawa, Oyama-shi, Tochigi, etc.	Trust beneficial interest	59,872.65	9,260	8,940
AEON Sendai Nakayama	35-40, Minami Nakayama 1-chome, Izumi-ku, Sendai-shi, Miyagi, etc.	Trust beneficial interest	46,248.96	10,900	8,852
Ito-Yokado Yabashira	15-8, Higurashi 1-chome, Matsudo-shi, Chiba, etc.	Trust beneficial interest	21,308.78	1,980	1,351
Ito-Yokado Kamifukuoka Higashi	1-30, Ohara 2-chome, Fujimino-shi, Saitama	Trust beneficial interest	28,316.18	5,860	6,063
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-shi, Saitama	Trust beneficial interest	73,438.52	14,200	10,659
AEON MALL Higashiura	13-2, Aza-asahi, Oaza-ogawa, Higashiuracho, Chita-gun, Aichi, etc.	Trust beneficial interest	129,124.73	10,600	7,154
AEON MALL Kashiihama	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	109,616.72	10,150	8,173
AEON MALL Sapporo Naebo	1-1, Higashinaebo 2jo 3-chome, Higashi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	74,625.52	8,790	6,697
Ito-Yokado Tsunashima	8-1, Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	16,549.50	5,010	4,679



Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
AEON Itabashi Shopping Center	6-1, Tokumaru 2-chome, Itabashi-ku, Tokyo	Trust beneficial interest	72,748.34	13,000	10,994
AEON MALL Yamato	2-6, Shimotsuruma 1-chome, Yamato-shi, Kanagawa	Trust beneficial interest	85,226.68	17,800	15,469
SEIYU Hibarigaoka	9-8, Sumiyoshicho 3-chome, Nishi-Tokyo-shi, Tokyo	Trust beneficial interest	19,070.88	7,060	4,923
AEON Tobata Shopping Center	2-2, Shioi-cho, Tobata-ku, Kita-Kyushu-shi, Fukuoka	Trust beneficial interest	93,258.23	6,590	5,600
AEON Takatsuki	47-2, Haginoshō 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	77,267.23	10,700	10,207
AEON Yagoto	2-1, Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-shi, Aichi	Trust beneficial interest	63,778.44	3,540	3,397
AEON Naha Shopping Center	10-2, Kanagusuku 5-chome, Naha-shi, Okinawa	Trust beneficial interest	79,090.48	10,800	10,171
AEON MALL Tsurumi Ryokuchi	17-1, Tsurumi 4-chome, Tsurumi-ku, Osaka-shi, Osaka	Trust beneficial interest	138,538.63	26,300	25,235
AEON MALL Itami	1-1, Fujinoki 1-chome, Itami-shi, Hyogo	Trust beneficial interest	157,904.26	19,400	19,321
Ito-Yokado Yotsukaido	5, Chuo, Yotsukaido-shi, Chiba	Trust beneficial interest	59,207.19	10,900	12,767
AEON MALL Sapporo Hassamu	1-1, Hassamu 8jo 12-chome, Nishi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	102,169.00	18,200	16,186
Ario Otori	199-12, Otori Minami-cho 3-cho, Nishi-ku, Sakai-shi, Osaka, etc.	Trust beneficial interest	95,135.36	15,800	15,933
AEON MALL Musashi Murayama	1-3, Enoki 1-chome, Musashimurayama-shi, Tokyo	Trust beneficial interest	137,466.97	31,700	27,111
AEON MALL Kobe Kita	2-1, Kouzudai 8-chome, Kita-ku, Kobe-shi, Hyogo	Trust beneficial interest	128,050.62	12,110	9,426
LIFE Taiheiji(Land with leasehold interest)	43-6, Taiheiji 2-chome, Higashi Osaka-shi, Osaka	Real property	3,898.01	1,350	1,304
LIFE Shimodera(Land with leasehold interest)	5-23, Shimodera 2-chome, Naniwa-ku, Osaka-shi, Osaka, etc.	Real property	4,344.18	1,810	1,717
LIFE Kishibe(Land with leasehold interest)	2205-15, Hara-cho 4-chome, Suita-shi, Osaka, etc.	Real property	5,516.61	2,050	1,942
MrMax Nagasaki	26-1, Iwami machi, Nagasaki-shi, Nagasaki, etc.	Trust beneficial interest	12,115.09	3,210	2,488
Round1 Stadium Itabashi	16-13, Aioicho, Itabashi-ku, Tokyo	Trust beneficial interest	14,828.74	3,130	2,296
Round1 Machida	13-14, Morino 1-chome, Machida-shi, Tokyo	Trust beneficial interest	6,801.89	3,090	2,367
Neyagawa(Land with leasehold interest)	327-1, Taiseicho, Neyagawa-shi, Osaka, etc.	Trust beneficial interest	11,430.04	1,710	1,154
Round1 Stadium Sakai Chuo Kanjyo	241, Ishiwara-cho 2-cho, Higashi-ku Sakai-shi, Osaka	Trust beneficial interest	17,521.46	2,390	1,702
Tecc Land Fukuoka Shime Honten (Note 6)	2-1, Minamizato 5-chome, Shime-machi, Kasuyagun, Fukuoka	Trust beneficial interest	—	5,190	3,928
Summit Store Nakano Minamidai	26-2, Minamidai 5-chome, Nakano-ku, Tokyo	Trust beneficial interest	3,536.50	3,320	3,095
Round1 Stadium Takatsuki	6-4, Zushi 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	19,767.64	2,820	2,070
m-city Toyonaka	2-18, Hinode-cho 2-chome, Toyonaka-shi, Osaka	Trust beneficial interest	33,301.93	6,200	5,539
Total			2,842,989.82	898,682	807,141

Note 1 “Location” means the residence indication or the location indicated in the land registry book.

Note 2 Regardless the share of co-ownership or quasi-co-ownership, “Leasable area” means the total area of the building or land with leasehold interest of each property leasable as stores, offices, etc. indicated in the lease agreement or the plan of such property and it does not include the leasable area of warehouses and land (flat parking lots).

Note 3 “Appraisal value at end of period” shows the value appraised or researched by the real estate appraiser (CBRE K.K., Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute and Tanizawa Sōgō Appraisal Co., Ltd.) in accordance with the methods and standard of assets valuation as stipulated in the Articles of Incorporation of JRF as well as the regulations as stipulated by The Investment Trusts Association, Japan.

Note 4 A part of the buildings of G-Bldg. Jiyugaoka 01 is under demolish work for reconstruction from June 2015.

Note 5 “Leasable area” for a pass-through master leased property are presented on an end-tenant basis.

Note 6 “Leasable area” of the property is not disclosed because the consent from the tenant has not been obtained.

Note 7 “Leasable area” for the property which is leased partially in the form of a pass-through master lease is presented on an end-tenant basis.

Operating results of each retail facility for the six months ended August 31, 2015 and February 29, 2016 were as follows:

Name of property	For the six months ended August 31, 2015				For the six months ended February 29, 2016			
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental and other operating revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental and other operating revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
G-Bldg. Minami Aoyama 02	4	100.0	82	0.3	4	100.0	90	0.3
G-Bldg. Kita Aoyama 01	3	100.0	34	0.1	3	100.0	34	0.1
G-Bldg. Jiyugaoka 01	2	100.0	80	0.3	2	100.0	72	0.2
Cheers Ginza	10	100.0	102	0.3	10	100.0	102	0.3
GYRE	23	100.0	550	1.8	23	100.0	584	1.9
G-Bldg. Jingumae 06	4	100.0	54	0.2	4	100.0	53	0.2
G-Bldg. Jingumae 02	3	100.0	29	0.1	3	100.0	30	0.1
G-Bldg. Minami Aoyama 01	3	100.0	50	0.2	4	100.0	116	0.4
La Porte Aoyama (Note 3)	24	100.0	291	0.9	24	96.9	288	0.9
G-Bldg. Jingumae 03	7	100.0	81	0.3	6	92.7	82	0.3
G-Bldg. Minami-Ikebukuro 01 (Note 3)	8	100.0	265	0.9	7	87.1	282	0.9
Urban Terrace Jingumae	2	100.0	101	0.3	2	100.0	99	0.3
G-Bldg. Sangenjaya 01	3	100.0	147	0.5	3	100.0	156	0.5
G-Bldg. Ginza 01	8	100.0	145	0.5	8	100.0	149	0.5
KAWASAKI Le FRONT	69	99.1	1,823	5.9	67	98.8	1,807	5.8
G-Bldg. Omotesando 02	6	100.0	371	1.2	6	100.0	371	1.2
G-Bldg. Kichijoji 01 (Note 4)	1	100.0	-	-	1	100.0	-	-
CUTE CUBE HARAJUKU	10	100.0	210	0.7	9	97.3	196	0.6
G-Bldg. Nagoya Sakae 01	2	100.0	47	0.1	2	100.0	47	0.2
G-Bldg. Abeno 01	-	-	-	-	9	100.0	117	0.4
G Bldg. Umeda 01	-	-	-	-	12	100.0	185	0.6
G-Bldg. Shinsaibashi 04	-	-	-	-	4	100.0	45	0.1
8953 Osaka Shinsaibashi Building	1	100.0	364	1.2	1	100.0	364	1.2
Bic Camera Tachikawa	2	100.0	382	1.2	2	100.0	357	1.2
Kawaramachi OPA	1	100.0	358	1.2	1	100.0	359	1.2
G-Bldg. Jingumae 01	2	100.0	82	0.3	2	100.0	82	0.3
G-Bldg. Shinjuku 01	1	100.0	161	0.5	1	100.0	161	0.5
G-Bldg. Shinsaibashi 01	2	100.0	67	0.2	2	100.0	73	0.2
Arkangel Daikanyama(Land with leasehold interest) (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Shinsaibashi 02 (Note 4)	1	100.0	-	-	1	100.0	-	-
Round1 Stadium Sennichimae(Land with leasehold interest)	1	100.0	240	0.8	1	100.0	240	0.8
Round1 Yokohama Station West	1	100.0	114	0.4	1	100.0	114	0.4
G-Bldg. Omotesando 01	1	100.0	135	0.4	1	100.0	135	0.4

Name of property	For the six months ended August 31, 2015				For the six months ended February 29, 2016			
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental and other operating revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental and other operating revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
Round1 Kyoto Kawaramachi	1	100.0	104	0.3	1	100.0	104	0.3
Round1 Hiroshima	1	100.0	119	0.4	1	100.0	119	0.4
G-Bldg. Shinsaibashi 03 (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Daikanyama 01	1	100.0	42	0.1	1	100.0	41	0.1
G-Bldg. Shibuya 01 (Note 4)	1	100.0	-	-	1	100.0	-	-
DFS T GALLERIA OKINAWA	1	100.0	497	1.6	1	100.0	497	1.6
EDION Kyobashi (Land with leasehold interest) (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Ueno 01	1	100.0	14	0.0	1	100.0	75	0.2
G-Bldg. Akihabara 01 (Note 4)	-	-	-	-	1	100.0	-	-
Takadanobaba (Land with leasehold interest)	-	-	-	-	1	100.0	44	0.1
G-Bldg. Akihabara 02 (Note 4)	-	-	-	-	1	100.0	-	-
G-Bldg. Sendai Ichibancho 01	-	-	-	-	1	100.0	-	-
G-Bldg. Kichijoji 02 (Note 4)	-	-	-	-	1	100.0	-	-
Nara Family	123	99.5	1,927	6.2	113	98.7	1,896	6.1
Abiko Shopping Plaza	55	99.9	653	2.1	54	99.9	648	2.1
Kyoto Family	70	100.0	584	1.9	61	99.3	584	1.9
Higashi-Totsuka Aurora City	4	100.0	1,358	4.4	4	100.0	1,355	4.4
Ito-Yokado Kawasaki	5	100.0	492	1.6	5	100.0	486	1.6
Narupark (Note 3)	49	99.5	342	1.1	49	99.5	340	1.1
Kishiwada CanCan Bayside Mall	102	94.9	724	2.3	89	90.4	670	2.2
Makuhari Plaza	5	100.0	214	0.7	5	100.0	212	0.7
Izumisano Shofudai(Land with leasehold interest) (Note 4)	2	100.0	-	-	2	100.0	-	-
mozo wonder city (Note 5)	151	83.2	2,593	8.4	215	100.0	3,452	11.1
pivo Izumi Chuo (Note 4)	17	100.0	-	-	17	100.0	-	-
Colline Bajikouen	10	100.0	143	0.5	10	100.0	143	0.5
KAMISHIN PLAZA	42	97.4	275	0.9	34	92.7	256	0.8
Oyama Yuen Harvest Walk (Note 5)	71	99.6	834	2.7	72	100.0	811	2.6
AEON Sendai Nakayama	2	100.0	420	1.4	2	100.0	415	1.3
Ito-Yokado Yabashira	1	100.0	78	0.3	1	100.0	78	0.3
Ito-Yokado Kamifukuoka Higashi	1	100.0	217	0.7	1	100.0	217	0.7
Ito-Yokado Nishikicho	1	100.0	444	1.4	1	100.0	444	1.4
AEON MALL Higashiura	1	100.0	480	1.6	1	100.0	480	1.5
AEON MALL Kashiihama (Note 6)	1	100.0	477	1.5	1	100.0	368	1.2
AEON MALL Sapporo Naebo	1	100.0	371	1.2	1	100.0	371	1.2
Ito-Yokado Tsunashima	1	100.0	168	0.5	1	100.0	168	0.5

Name of property	For the six months ended August 31, 2015				For the six months ended February 29, 2016			
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental and other operating revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental and other operating revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
AEON Itabashi Shopping Center	1	100.0	656	2.1	1	100.0	648	2.1
AEON MALL Yamato	1	100.0	536	1.7	1	100.0	536	1.7
SEIYU Hibarigaoka	1	100.0	261	0.8	1	100.0	259	0.8
AEON Tobata Shopping Center	1	100.0	315	1.0	1	100.0	315	1.0
AEON Takatsuki	1	100.0	414	1.3	1	100.0	401	1.3
AEON Yagoto	2	100.0	126	0.4	2	100.0	126	0.4
AEON Naha Shopping Center	1	100.0	373	1.2	1	100.0	373	1.2
AEON Nishi-Otsu (Note 7)	1	100.0	375	1.2	-	-	90	0.3
AEON Omiya (Note 7)	1	100.0	194	0.6	-	-	46	0.2
AEON Ueda (Note 7)	1	100.0	303	1.0	-	-	73	0.2
AEON MALL Tsurumi Ryokuchi	1	100.0	895	2.9	1	100.0	896	2.9
AEON MALL Itami	1	100.0	581	1.9	1	100.0	579	1.9
Ito-Yokado Yotsukaido	1	100.0	290	0.9	1	100.0	289	0.9
AEON MALL Yachiyo Midorigaoka (Note 7)	1	100.0	691	2.2	-	-	167	0.5
AEON MALL Sapporo Hassamu	1	100.0	577	1.9	1	100.0	577	1.9
Ario Otori	1	100.0	558	1.8	1	100.0	549	1.8
AEON MALL Musashi Murayama	1	100.0	935	3.0	1	100.0	943	3.0
AEON MALL Kobe Kita	1	100.0	405	1.3	1	100.0	405	1.3
LIFE Taiheiji(Land with leasehold interest)	1	100.0	48	0.2	1	100.0	48	0.2
LIFE Shimodera(Land with leasehold interest)	1	100.0	56	0.2	1	100.0	56	0.2
LIFE Kishibe(Land with leasehold interest)	1	100.0	68	0.2	1	100.0	68	0.2
MrMax Nagasaki (Note 4)	2	100.0	-	-	2	100.0	-	-
Round1 Stadium Itabashi	1	100.0	95	0.3	1	100.0	95	0.3
Round1 Machida	1	100.0	90	0.3	1	100.0	90	0.3
Neyagawa(Land with leasehold interest) (Note 4)	1	100.0	-	-	1	100.0	-	-
Round1 Stadium Sakai Chuo Kanjyo	1	100.0	82	0.3	1	100.0	82	0.3
Tecc Land Fukuoka Shime Honten (Note 4)	1	100.0	-	-	1	100.0	-	-
Summit Store Nakano Minamidai	1	100.0	84	0.3	1	100.0	84	0.3
Round1 Stadium Takatsuki	1	100.0	91	0.3	1	100.0	91	0.3
m-city Toyonaka (Note 4)	1	100.0	-	-	1	100.0	-	-
Total	961	99.4	30,962	100.0	1,007	99.7	31,028	100.0

Note 1 “Number of tenants” is based upon the numbers of the lease agreements of the building or land with leasehold interest of each such property used as stores, offices, etc.

Note 2 “Occupancy ratio” (percentage of leased area against the leasable area at the end of accounting period) and “Ratio of rental revenue to total rental revenues” are calculated by rounding to the nearest first decimal place.

Note 3 “Number of tenants” and “Occupancy ratio” for a pass-through master leased property are presented on an end-tenant basis.

Note 4 Rental revenue of the property is not disclosed because the consent from the tenant has not been obtained.

Note 5 “Number of tenants” and “Occupancy ratio” for the properties which are leased partially in the form of a pass-through master lease are presented on an end-tenant basis.

Note 6 JRF sold 30% quasi-co-ownership interest of the property on October 15, 2015.

Note 7 JRF sold the property on October 15, 2015.

#### 4. Details of specified transaction

The details of specified transaction as of February 29, 2016 were as follows:

(Millions of yen)

Classification	Transaction	Notional amounts		Fair value (Note 1)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	258,075	247,575	(6,067)
Total		258,075	247,575	(6,067)

Note 1 The fair value is measured at the amount calculated by the counter party to the interest rate swaps contracts based on the prevailing market interest rates and other assumptions.

Note 2 The above table includes the interest rate swaps contracts of ¥ 7,000 million in notional amounts entered into on February 26, 2016 which are designated as hedging instruments for specific long-term borrowings funded on March 1, 2016 and subject to the special treatment provided under Japanese GAAP for the interest rate swaps.

Note 3 The interest rate swaps for which JRF had applied the special treatment provided under the Accounting Standard Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008, are not required to be measured in the balance sheets.

#### 5. Other assets

Real property and trust beneficial interests in real property are included the above table in "3. Details of property."

There was no other significant specified asset as of February 29, 2016.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The current significant plan for capital expenditures on property maintenance is as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

(Millions of yen)

Name of property	Location	Purpose	Scheduled term for construction or maintenance	Estimated cost		
				Total	Advanced payment	
					Payment for the six months ended February 29, 2016	Total of advanced payment
Nara Family	Nara-shi, Nara	Renewal construction	October, 2015 to September, 2016	4,805	54	133
Bic Camera Tachikawa	Tachikawa-shi, Tokyo	Repair of earthquake-resistant construction	August, 2015 to December, 2016	3,302	741	1,433
Kishiwada CanCan Bayside Mall	Kishiwada-shi, Osaka	Rezoning construction of tenant floor	May, 2016 to August, 2016	371	-	-
KAMISHIN PLAZA	Higashiyodogawa-ku, Osaka-shi, Osaka	Renewal construction	January, 2016 to May, 2016	261	6	8
AEON MALL Sapporo Naebo	Higashi-ku, Sapporo-shi, Hokkaido	Repair of outer wall	June, 2016 to November, 2016	102	-	-

### 2. Capital expenditures for the six months ended February 29, 2016

Maintenance expenditures on property for the six months ended February 29, 2016 were totaling to ¥3,903 million consisting of ¥3,556 million of capital expenditures stated as below and ¥346 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures
mozo wonder city	Nishi-ku, Nagoya-shi, Aichi	Construction for activating plan	April, 2015 to September, 2015	1,724
Ito-Yokado Kawasaki	Kawasaki-ku, Kawasaki-shi, Kanagawa	Earthquake-resistant construction of elevator	October, 2015 to December, 2015	162
AEON MALL Itami	Itami-shi, Hyogo	Repair of outer wall	July, 2015 to November, 2015	119
Ito-Yokado Kawasaki	Kawasaki-ku, Kawasaki-shi, Kanagawa	Repair of outer wall	August, 2015 to January, 2016	101
Makuhari Plaza	Hanamigawa-ku, Chiba-shi, Chiba	Earthquake-resistant construction of elevator	September, 2015 to November, 2015	79
Others	-	-	-	1,370
Total				3,556

### **3. Reserved funds for long-term maintenance plan**

JRF generally reserves funds to appropriate for future expenditures on large-scale maintenance based on a long-term maintenance plan, except for when depreciation for each fiscal period exceeds following two items.

Item A: Scheduled amounts to be reserved as funds for the long-term maintenance plan in each fiscal period

Item B: Maintenance expenditures scheduled in the long-term maintenance plan in each fiscal period

There were no reserved funds for last five fiscal periods.

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Item	27th fiscal period	28th fiscal period
	For the six months ended August 31, 2015	For the six months ended February 29, 2016
Asset management fees	2,545,092	2,502,248
Custodian fees	29,853	29,760
General administration fees	124,140	123,716
Compensation for Directors	5,940	5,940
Other operating expenses	155,925	270,631
Total	2,860,952	2,932,296

### 2. Borrowings

Borrowings as of February 29, 2016 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			August 31, 2015 (Millions of yen)	February 29, 2016 (Millions of yen)					
Short-term	Mizuho Bank, Ltd.	July 28, 2015	2,000	-	0.2	June 29, 2016 (Note 4)	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	July 28, 2015	1,000	-	0.2	June 29, 2016 (Note 4)	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	February 3, 2016	-	1,000	0.2	January 31, 2017	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sub-total		3,000	1,000					
Long-term	Development Bank of Japan Inc.(Note 2)	July 30, 2009	11,450	11,150	1.8	July 30, 2016	(Note 6)	(Note 8)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	July 30, 2009	15,266	14,866	2.2	July 30, 2018	(Note 7)	(Note 8)	Unsecured and unguaranteed
	American Family Life Assurance Company of Columbus	September 4, 2009	5,000	5,000	3.0	September 4, 2019	Lump sum	(Note 8)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	February 7, 2011	5,000	-	0.7 (Note 3)	February 5, 2016	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Shinkumi Federation Bank		3,000	-					
	The Hiroshima Bank Ltd.		1,500	-					
	The Senshu Ikeda Bank, Ltd.		1,000	-					
	The Minato Bank, Ltd.		500	-					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2011	5,550	5,550	0.7 (Note 3)	September 28, 2018	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,710	4,710					
	Sumitomo Mitsui Trust Bank, Limited		3,740	3,740					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2011	7,930	7,930	1.5 (Note 3)	March 29, 2019	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		6,730	6,730					
	Sumitomo Mitsui Trust Bank, Limited		5,340	5,340					
	Sumitomo Mitsui Banking Corporation	March 31, 2011	5,000	5,000	0.8 (Note 3)	March 30, 2018	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed



Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			August 31, 2015 (Millions of yen)	February 29, 2016 (Millions of yen)					
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 22, 2011	1,982	1,982	1.0 (Note 3)	September 22, 2021	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,682	1,682					
	Sumitomo Mitsui Trust Bank, Limited		1,335	1,335					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 22, 2011	3,965	3,965	0.9 (Note 3)	March 22, 2021	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,365	3,365					
	Sumitomo Mitsui Trust Bank, Limited		2,670	2,670					
	The Bank of Fukuoka, Ltd.(Note 2)	September 22, 2011	2,000	2,000	0.6 (Note 3)	September 22, 2016	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 22, 2011	3,875	3,875	0.8 (Note 3)	September 18, 2020	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,487	3,487					
	Sumitomo Mitsui Trust Bank, Limited		2,712	2,712					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 22, 2011	5,000	5,000	0.7 (Note 3)	March 19, 2020	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,500	4,500					
	Sumitomo Mitsui Trust Bank, Limited		3,500	3,500					
	Sumitomo Mitsui Banking Corporation	September 30, 2011	2,000	2,000	0.9 (Note 3)	September 30, 2020	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 30, 2011	3,500	3,500	0.7 (Note 3)	March 30, 2018	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Shinsei Bank, Limited	September 30, 2011	2,500	2,500	0.8 (Note 3)	September 28, 2018	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Shinsei Bank, Limited	September 30, 2011	4,000	4,000	0.8 (Note 3)	September 28, 2018	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Resona Bank, Limited(Note 2)	September 30, 2011	2,500	2,500	0.6 (Note 3)	September 30, 2016	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The 77 Bank, Ltd.(Note 2)	September 30, 2011	1,000	1,000	0.6 (Note 3)	September 30, 2016	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	December 21, 2011	3,172	3,172	0.7 (Note 3)	December 20, 2019	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,692	2,692					
	Sumitomo Mitsui Trust Bank, Limited		2,136	2,136					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	December 21, 2011	2,775	2,775	0.6 (Note 3)	June 21, 2019	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,355	2,355					
	Sumitomo Mitsui Trust Bank, Limited		1,869	1,869					
	The Chugoku Bank, LTD.(Note 2)	December 21, 2011	3,000	3,000	0.8 (Note 3)	December 21, 2016	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Resona Bank, Limited(Note 2)	December 21, 2011	2,000	2,000	0.8 (Note 3)	December 21, 2016	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 22, 2012	2,180	2,180	1.0 (Note 3)	May 20, 2022	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,850	1,850					
	Sumitomo Mitsui Trust Bank, Limited		1,470	1,470					
	Shinsei Bank, Limited	May 22, 2012	3,500	3,500	1.1 (Note 3)	May 20, 2022	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 22, 2012	3,570	3,570	0.6 (Note 3)	November 22, 2017	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,030	3,030					
	Sumitomo Mitsui Trust Bank, Limited		2,400	2,400					
	The Joyo Bank, Ltd.	May 22, 2012	1,000	1,000	0.6 (Note 3)	November 22, 2017	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			August 31, 2015 (Millions of yen)	February 29, 2016 (Millions of yen)					
Long-term	The Chugoku Bank, LTD.	May 22, 2012	2,000	2,000	0.6 (Note 3)	November 22, 2017	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	September 14, 2012	3,000	3,000	0.5 (Note 3)	September 14, 2017	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,000	2,000	0.5	September 29, 2017	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	October 2, 2012	1,000	1,000	0.5 (Note 3)	October 2, 2017	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 2, 2012	1,000	1,000	1.6	October 1, 2024	Lump sum	(Note 9)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 2, 2012	3,000	3,000	1.0	October 1, 2020	Lump sum	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	1,000	1,000	1.2	October 2, 2022	Lump sum	(Note 9)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	October 2, 2012	2,000	2,000	1.0 (Note 3)	October 2, 2020	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	1,190	1,190	1.0 (Note 3)	October 2, 2020	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,010	1,010					
	Sumitomo Mitsui Trust Bank, Limited		800	800					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	1,784	1,784	0.6 (Note 3)	April 2, 2020	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,514	1,514					
	Sumitomo Mitsui Trust Bank, Limited		1,202	1,202					
	Sumitomo Mitsui Banking Corporation	October 2, 2012	3,000	3,000	0.6 (Note 3)	April 2, 2020	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	2,974	2,974	0.5 (Note 3)	October 2, 2019	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,524	2,524					
	Sumitomo Mitsui Trust Bank, Limited		2,002	2,002					
	The Daishi Bank, Ltd.	October 2, 2012	1,500	1,500	0.5 (Note 3)	October 2, 2017	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Ashikaga Bank, Ltd.		1,000	1,000					
	The Bank of Yokohama, Ltd.		500	500					
	Shinkin Central Bank	December 28, 2012	2,500	2,500	0.5	December 29, 2017	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Gunma Bank, Ltd.	December 28, 2012	500	500	0.6 (Note 3)	December 28, 2018	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.		500	500					
	The Higashi-Nippon Bank, Limited		500	500					
	Sumitomo Mitsui Banking Corporation	February 28, 2013	5,000	5,000	1.2 (Note 3)	February 28, 2022	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 29, 2013	5,000	5,000	1.2 (Note 3)	March 31, 2022	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	September 30, 2013	3,000	3,000	1.3	April 7, 2023	Lump sum	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,000	1,000	2.2 (Note 3)	October 6, 2028	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 7, 2013	1,500	1,500	1.5	April 5, 2024	Lump sum	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,000	1,000	1.3	October 6, 2023	Lump sum	(Note 9)	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			August 31, 2015 (Millions of yen)	February 29, 2016 (Millions of yen)					
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,189	1,189	1.4 (Note 3)	October 6, 2023	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	1,009					
	Sumitomo Mitsui Trust Bank, Limited		801	801					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,387	1,387	1.3 (Note 3)	April 7, 2023	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,177	1,177					
	Sumitomo Mitsui Trust Bank, Limited		934	934					
	Development Bank of Japan Inc.	October 7, 2013	1,500	1,500	1.3	April 7, 2023	Lump sum	(Note 8)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	October 7, 2013	1,500	1,500	1.2 (Note 3)	October 7, 2022	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	October 7, 2013	1,000	1,000	1.2 (Note 3)	October 7, 2022	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	October 7, 2013	2,000	2,000	1.2 (Note 3)	October 7, 2022	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	October 7, 2013	1,000	1,000	1.0	October 7, 2021	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	THE NISHI-NIPPON CITY BANK, LTD.	October 7, 2013	1,000	1,000	1.0 (Note 3)	October 7, 2021	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,189	1,189	0.9 (Note 3)	April 7, 2021	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	1,009					
	Sumitomo Mitsui Trust Bank, Limited		801	801					
	Shinkin Central Bank	October 7, 2013	1,500	1,500	0.8	October 7, 2020	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Norinchukin Bank	October 7, 2013	1,500	1,500	0.8 (Note 3)	April 7, 2020	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Jyo Bank, Ltd.	October 7, 2013	1,000	1,000	0.8 (Note 3)	April 7, 2020	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	October 7, 2013	1,000	1,000	0.7 (Note 3)	October 7, 2019	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The 77 Bank, Ltd.	October 7, 2013	1,000	1,000	0.7 (Note 3)	October 7, 2019	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2014	4,000	4,000	1.7	March 31, 2026	Lump sum	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 1, 2014	1,586	-	0.4	February 28, 2017 (Note 4)	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,346	-					
	Sumitomo Mitsui Trust Bank, Limited		1,068	-					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 1, 2014	594	594	1.5 (Note 3)	March 31, 2025	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		504	504					
	Sumitomo Mitsui Trust Bank, Limited		400	400					
	Development Bank of Japan Inc.	October 1, 2014	3,000	3,000	1.3	October 1, 2025	Lump sum	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	793	793	1.1 (Note 3)	October 1, 2024	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		673	673					
	Sumitomo Mitsui Trust Bank, Limited		534	534					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	800	800	1.1	October 1, 2024	Lump sum	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	1,189	1,189	0.8 (Note 3)	September 30, 2022	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	1,009					
	Sumitomo Mitsui Trust Bank, Limited		801	801					

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			August 31, 2015 (Millions of yen)	February 29, 2016 (Millions of yen)					
Long-term	THE NISHI-NIPPON CITY BANK, LTD.	October 1, 2014	1,000	1,000	0.8 (Note 3)	September 30, 2022	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	October 1, 2014	1,000	1,000	0.8	September 30, 2022	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	October 1, 2014	2,000	2,000	0.7 (Note 3)	April 1, 2022	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	1,387	1,387	0.7 (Note 3)	October 1, 2021	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,177	1,177					
	Sumitomo Mitsui Trust Bank, Limited		934	934					
	The Norinchukin Bank	October 1, 2014	1,500	1,500	0.6 (Note 3)	October 1, 2021	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	October 1, 2014	3,000	3,000	0.6 (Note 3)	April 1, 2021	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	October 1, 2014	1,000	1,000	0.6 (Note 3)	April 1, 2021	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	1,189	-	0.4	February 28, 2017 (Note 4)	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	-					
	Sumitomo Mitsui Trust Bank, Limited		801	-					
	Sumitomo Mitsui Trust Bank, Limited	February 2, 2015	200	200	1.0	January 31, 2025	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	JAPAN POST INSURANCE Co., Ltd.		1,000	1,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 5, 2015	1,571	1,571	0.8 (Note 3)	February 5, 2024	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,357	1,357					
	Sumitomo Mitsui Trust Bank, Limited		1,071	1,071					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 5, 2015	1,571	1,571	0.7 (Note 3)	February 3, 2023	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,357	1,357					
	Sumitomo Mitsui Trust Bank, Limited		1,071	1,071					
	Sumitomo Mitsui Banking Corporation	March 2, 2015	1,000	1,000	1.6 (Note 3)	March 30, 2029	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 2, 2015	7,000	7,000	1.0 (Note 3)	March 31, 2025	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 2, 2015	6,000	6,000	0.9 (Note 3)	March 29, 2024	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 2, 2015	6,000	6,000	0.7 (Note 3)	March 31, 2023	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 2, 2015	4,300	-	0.3	March 31, 2016 (Note 4)	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 30, 2015	2,180	-	0.3	March 31, 2016 (Note 4)	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,850	-					
	Sumitomo Mitsui Trust Bank, Limited		1,468	-					
	Mizuho Bank, Ltd.	February 18, 2016	-	6,000	0.6 (Note 3)	January 30, 2026	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited	February 18, 2016	-	1,000	0.6 (Note 3)	January 30, 2026	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	February 18, 2016	-	1,000	0.6 (Note 3)	January 30, 2026	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Resona Bank, Limited	February 18, 2016	-	1,000	0.5 (Note 3)	July 31, 2024	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method (Note 5)	Use (Note 8)	Remarks
			August 31, 2015 (Millions of yen)	February 29, 2016 (Millions of yen)					
Long-term	Mizuho Trust & Banking Co., Ltd.	February 18, 2016	-	1,000	0.6 (Note 3)	January 30, 2026	Lump sum (Note 5)	(Note 8)	Unsecured and unguaranteed
	Sub-total		329,591	311,091					
	Total		332,591	312,091					

Note 1 The average interest rate indicates a weighted average of interest rates, rounded to the first decimal place.

Note 2 The balances as of February 29, 2016 are included in current portion of long-term borrowings in the balance sheets.

Note 3 The borrowings are hedged by interest rate swaps and the average interest rates of the borrowings are calculated adjusting the effect of the interest rate swaps.

Note 4 JRF had repaid all principal of the borrowings on October 30, 2015 in advance of the due date.

Note 5 JRF may repay all or part of principal of the borrowings on interest payment date.

Note 6 The principal is repaid on each interest payment date at an amount corresponding to 4% of the initial principal (¥ 15,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is September 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due

Note 7 The principal is repaid on each interest payment date at an amount corresponding to 4% of the initial principal (¥ 20,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is September 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of February 29, 2016, includes ¥ 800 million of current portion of long-term borrowings.

Note 8 The funds were mainly appropriated to repayment of borrowings.

Note 9 The funds were appropriated to purchasing real property or trust beneficiary interests in real property and miscellaneous expenses relating to the acquisition.

Note 10 The funds were appropriated to redemption of corporate bonds.

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method (Note 1)	Use (Note 2)	Remarks
		August 31, 2015 (Millions of yen)	February 29, 2016 (Millions of yen)					
Third series unsecured investment corporation bonds	February 22, 2006	10,000	-	2.02	February 22, 2016	Lump sum (Note 1)	(Note 2)	Unsecured and unguaranteed
Sixth series unsecured investment corporation bonds	May 23, 2007	15,000	15,000	2.17	May 23, 2017	Lump sum (Note 1)	(Note 2)	Unsecured and unguaranteed
Seventh series unsecured investment corporation bonds	December 18, 2013	7,500	7,500	1.108	December 18, 2023	Lump sum (Note 1)	(Note 2)	Unsecured and unguaranteed
Eighth series unsecured investment corporation bonds	June 26, 2014	8,000	8,000	1.26	June 26, 2026	Lump sum (Note 1)	(Note 2)	Unsecured and unguaranteed
Ninth series unsecured investment corporation bonds	February 5, 2015	7,000	7,000	0.765	February 5, 2025	Lump sum (Note 1)	(Note 3)	Unsecured and unguaranteed
Total		47,500	37,500					

Note 1 JRF may repurchase bonds at any time on or after the next day of issuance except for the case that transferring term is otherwise limited.

Note 2 The funds were appropriated to repayment of borrowings or working capital.

Note 3 The funds were appropriated to redemption of corporate bonds.

### 4. Short-term investment corporation bonds

None

### 5. Investment unit warrants

None

## Condition of investment transactions

### 1. Transactions of property and asset-backed securities, etc.

(Millions of yen)

Name of real property, etc.	Acquisition		Disposition			
	Date of acquisition	Acquisition cost	Date of disposition	Disposition amount	Net book value	Gain (loss) on disposition
Takadanobaba (Land with leasehold interest)	September 15, 2015	2,400	-	-	-	-
G-Bldg. Akihabara 01	September 15, 2015	4,980	-	-	-	-
mozo wonder city	September 15, 2015	11,740	-	-	-	-
G-Bldg. Akihabara 02	September 18, 2015	2,500	-	-	-	-
G-Bldg. Minami Aoyama 01	October 1, 2015	3,650	-	-	-	-
G-Bldg. Abeno 01	October 1, 2015	4,100	-	-	-	-
G Bldg. Umeda 01	October 8, 2015	9,483	-	-	-	-
AEON MALL Yachiyo Midorigaoka	-	-	October 15, 2015	28,015	27,944	60
AEON Nishi-Otsu	-	-	October 15, 2015	12,230	12,194	22
AEON Ueda	-	-	October 15, 2015	8,050	7,997	50
AEON Omiya	-	-	October 15, 2015	5,772	5,744	24
AEON MALL Kashiihama	-	-	October 15, 2015	4,350	3,516	831
G-Bldg. Shinsaibashi 04	October 16, 2015	2,350	-	-	-	-
G-Bldg. Sendai Ichibancho 01	December 25, 2015	2,820	-	-	-	-
DFS T GALLERIA OKINAWA	January 15, 2016	2,470	-	-	-	-
G-Bldg. Kichijoji 02	February 29, 2016	15,300	-	-	-	-
Total	-	61,793	-	58,417	57,397	989

Note 1 The acquisition cost or disposition amount indicates contracted amount of the property in the purchase agreement excluding related expenses (brokerage fee, taxes, etc.).

### 2. Transactions of other assets

Other assets than property or asset-backed securities, etc. are mainly bank deposits and bank deposits in trust.

### 3. Research for specified assets value, etc.

#### (1) Property (Appraisal value)

(Millions of yen)

Acquisition /Disposition	Name of property	Date of acquisition /disposition	Acquisition Cost /Disposition amount	Appraisal value	Name of appraiser	Date of appraisal
Acquisition	Takadanobaba (Land with leasehold interest)	September 15, 2015	2,400	2,538	Japan Real Estate Institute	August 1, 2015
Acquisition	G-Bldg. Akihabara 01	September 15, 2015	4,980	5,160	Japan Real Estate Institute	August 1, 2015
Acquisition	mozo wonder city	September 15, 2015	11,740	12,025	Tanizawa Sōgō Appraisal Co., Ltd.	August 1, 2014
Acquisition	G-Bldg. Akihabara 02	September 18, 2015	2,500	2,610	Japan Real Estate Institute	August 1, 2015
Acquisition	G-Bldg. Minami Aoyama 01	October 1, 2015	3,650	3,920	Tanizawa Sōgō Appraisal Co., Ltd.	August 1, 2015
Acquisition	G-Bldg. Abeno 01	October 1, 2015	4,100	4,350	CBRE K.K.	August 1, 2015
Acquisition	G Bldg. Umeda 01	October 8, 2015	9,483	10,200	Daiwa Real Estate Appraisal Co.,Ltd.	August 1, 2015
Disposition	AEON MALL Yachiyo Midorigaoka	October 15, 2015	28,015	23,700	CBRE K.K.	August 31, 2015
Disposition	AEON Nishi-Otsu	October 15, 2015	12,230	11,200	CBRE K.K.	August 31, 2015
Disposition	AEON Ueda	October 15, 2015	8,050	7,970	Daiwa Real Estate Appraisal Co.,Ltd.	August 31, 2015
Disposition	AEON Omiya	October 15, 2015	5,772	5,600	CBRE K.K.	August 31, 2015
Disposition	AEON MALL Kashiihama	October 15, 2015	4,350	4,350 (Note 2)	Tanizawa Sōgō Appraisal Co., Ltd.	August 31, 2015
Acquisition	G-Bldg. Shinsaibashi 04	October 16, 2015	2,350	2,480	CBRE K.K.	September 1, 2015
Acquisition	G-Bldg. Sendai Ichibancho 01	December 25, 2015	2,820	2,970	CBRE K.K.	December 1, 2015
Acquisition	DFS T GALLERIA OKINAWA	January 15, 2016	2,470	2,900	CBRE K.K.	August 1, 2014
Acquisition	G-Bldg. Kichijoji 02	February 29, 2016	15,300	15,800	Daiwa Real Estate Appraisal Co.,Ltd.	February 19, 2016

Note 1 The acquisition cost or disposition amount indicates contracted amount of the property in the purchase agreement excluding related expenses (brokerage fee, taxes, etc.).

Note 2 Appraisal value of AEON MALL Kashiihama is calculated by multiplying its appraisal value as of August 31, 2015 amounting to ¥14,500 million by 30%, which is an ownership percentage of co-ownership interest disposed on October 15, 2015.

#### (2) Other transaction

For those transactions that are required to be investigated pursuant to Article 201 of the Act on Investments Trusts and Investment Corporation of Japan and not disclosed above in (1) Property (Appraisal Value), the asset manager (Mitsubishi Corp. - UBS Realty Inc.) contracted PricewaterhouseCoopers Arata to perform investigations.

The transactions subject to such investigation during the six months ended February 29, 2016, were 10 interest rate swap contracts, for which the asset manager received the investigation report from PricewaterhouseCoopers Aarata.

For this purpose, investigation was performed with respect to details of the interest swap contracts, such as the name of counter parties, contract amounts, type of the financial instrument or index, or the period of transactions.

#### 4. Transactions with interested parties or major shareholders

##### (1) Outline of specified assets transactions

Classification	Acquisition cost / Disposition amount (Notes 2 and 3)	
	Acquisition cost	Disposition amount
Total amount	¥61,793,700 thousand	¥58,417,000 thousand
<i>Breakdown for transactions with interested parties</i>		
<i>Mitsubishi Corporation Urban Development, Inc.</i>	¥3,650,000 thousand (5.9%)	¥ - thousand (-)
<i>Chayamachi 1522 LLC</i>	¥9,483,000 thousand (15.4%)	¥ - thousand (-)
<i>Kamiotai SC2 LLC</i>	¥11,740,000 thousand (19.0%)	¥ - thousand (-)
total	¥24,873,000 thousand (40.3%)	¥ - thousand (-)

##### (2) Amounts of fees paid and other expenses

(Thousands of yen)				
Classification	Total amounts (A)	Transactions with interested parties or major shareholders		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Facility management fees	1,476,634	Mitsubishi UFJ Lease & Finance Company Limited	451	0.0
Other rental expenses	984,921	Mitsubishi Corporation Urban Development, Inc.	2,957	0.3
		Mitsubishi Shoji & Sun Co., Ltd.	3,075	0.3
		Mitsubishi Corporation	151	0.0
Other operating expenses	270,631	Mitsubishi Corporation	7	0.0

Note 1 “Interested parties or major shareholders” means the interested parties related with the asset management company of JRF or the major shareholders of the asset management company as prescribed under Article 26, Item 27 of the Regulations for Management Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

Note 2 The acquisition cost or disposition amount indicate contracted amount of the property in the purchase agreement.

Note 3 Percentages in parentheses indicate ratio of each amount to the total amount of acquisition cost or disposition amount.

Note 4 In addition to above transaction, JRF paid Mitsubishi Corporation for research fees which were capitalized as a cost of property amounting to ¥250 thousand.

#### 5. Transactions with asset manager relating to other business than asset management

None



## **Financial information**

### **1. Financial position and operating results**

Please refer to the accompanying financial statements.

### **2. Changes in depreciation method**

None

### **3. Changes in valuation method of real property**

None

## **Outline of overseas real estate investment corporation**

### **1. Disclosure relating to overseas real estate investment corporation**

None

### **2. Disclosure relating to property held by overseas real estate investment corporation**

None

## **Outline of overseas real estate investment corporation**

### **1. Disclosure relating to overseas real estate investment corporation**

None

### **2. Disclosure relating to property held by overseas real estate investment corporation**

None

## Other information

### 1. Investment units held by the asset manager

Investment units held by the asset manager (Mitsubishi Corp. - UBS Realty Inc.) were as follows:

#### (1) Transactions of investment units held by the asset manager

Date	Number of units increased (Units)	Number of units decreased (Units)	Number of units held (Units)
Accumulated number	-	-	3,200

#### (2) Number of investment units held by the asset manager

Date	Number of units held at end of period (Units)	Aggregated value of units held at end of period (Note 1) (Thousands of yen)	Ratio of number of units held to number of units issued and outstanding
The 19th fiscal period (March 1, 2011 to August 31, 2011)	3,200	368,320	0.2%
The 20th fiscal period (September 1, 2011 to February 29, 2012)	3,200	389,440	0.2%
The 21st fiscal period (March 1, 2012 to August 31, 2012)	3,200	428,160	0.2%
The 22nd fiscal period (September 1, 2012 to February 28, 2013)	3,200	579,840	0.2%
The 23rd fiscal period (March 1, 2013 to August 31, 2013)	3,200	577,920	0.2%
The 24th fiscal period (September 1, 2013 to February 28, 2014)	3,200	642,560	0.1%
The 25th fiscal period (March 1, 2014 to August 31, 2014)	3,200	698,240	0.1%
The 26th fiscal period (September 1, 2014 to February 28, 2015)	3,200	820,800	0.1%
The 27th fiscal period (March 1, 2015 to August 31, 2015)	3,200	715,520	0.1%
The 28th fiscal period (September 1, 2015 to February 29, 2016)	3,200	823,040	0.1%

Note 1 "Aggregated value of units held at end of period" is calculated by market price of the investment securities on Tokyo Stock Exchange REIT Market at end of each fiscal period.

## 2. Notice

### (1) The General Meeting for Unitholders

The 10<sup>th</sup> General Meeting of Unitholders was held on November 27, 2015 and following matters were resolved at the meeting.

Resolution proposal	Summary
Resolution Proposal 1 - Partial amendment of the Articles of Incorporation	Following amendments were resolved as proposal. (1) Amendment in order to clarify that JRF has the purpose of managing its assets by investing primarily in real estate and other assets stipulated in the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations (the "Investment Trusts Act Ordinance") in association with the revision of the Investment Trusts Act Ordinance (2) Amendment in order to clarify and increase investment targets of the JRF in association with the revision of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (3) Amendment to change the investment policy for lease of retail properties and other real estate which JRF owns directly or via the specified assets and lending of other managed assets in response to the diversification of retail facilities as investment targets of JRF and the fact that an optimal lease period differs according to tenant and property type (4) Amendment in order to clarify the method to evaluate the Equity Interests in Tokumei Kumiai (anonymous association) (5) Amendment in order to explicitly specify that JRF may distribute in excess of profit to achieve a deduction of distributions for income tax purpose in relation to the issues of conflict between tax and accounting (6) Amendment in order to extend or shorten the term of office of the executive director and supervisory director by resolution of a general meeting of unitholders to the extent permitted by laws and regulations (7) Other amendments in order to modify the words and phrases and to adjust provisions
Resolution Proposal 2 - Appointment of one executive director	Shuichi Namba was appointed as proposal.
Resolution Proposal 3 - Appointment of two supervisory directors	Masahiko Nishida and Masaharu Usuki were appointed as proposal.
Resolution Proposal 4 - Appointment of one alternate executive director	Keita Araki was appointed as proposal.
Resolution Proposal 5 - Appointment of one alternate supervisory director	Shuhei Murayama was appointed as proposal.

### (2) The Board of Directors Meeting

Execution or modification of significant agreement approved by the Board of Directors of JRF for the six months ended February 29, 2016 was as follows:

Approval day	Item	Summary
September 2, 2015	Underwriting agreements of new investment units	In connection with the global offering of new investment units, the Board of Directors of JRF approved entering into the underwriting agreements with Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., UBS Securities Japan Co., Ltd. and SMBC Nikko Securities Inc. as joint domestic coordinator, and UBS AG, London Branch, Morgan Stanley & Co. International plc and SMBC Nikko Capital Markets Limited as international joint lead managers.
November 20, 2015	Transferring of special account and cancellation of relating administration agreement	JRF approved transferring special accounts opened in Sumitomo Mitsui Trust Bank, Limited to Mitsubishi UFJ Trust and Banking Corporation and cancellation of the special account administration agreement with Sumitomo Mitsui Trust Bank, Limited on December 31, 2015.
November 20, 2015	Partial modification of administration agreement regarding investment units and special account	Agreements of general administration regarding investment units and special accounts entered into with Mitsubishi UFJ Trust and Banking Corporation on December 24, 2008 were partially modified in order to manage affairs relating to the Social Security and Tax Number.

## 3. Other

Figures less than unit indicated in each statement have been rounded down for amounts and rounded for ratio unless otherwise indicated in this presentation.



## **Report of Independent Auditors**

To the Board of Directors of Japan Retail Fund Investment Corporation:

We have audited the accompanying financial statements of Japan Retail Fund Investment Corporation ("the Company"), which comprise the balance sheet as at February 29, 2016 and the statement of income and retained earnings, statement of changes in net assets and statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2016 and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

### ***Convenience translation***

The U.S. dollar amounts in the accompanying financial statements with respect to the six months period ended February 29, 2016 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the financial statements.

*PricewaterhouseCoopers Aarata*

May 20, 2016

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**PricewaterhouseCoopers Aarata**

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**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**BALANCE SHEETS**  
**As of August 31, 2015 and February 29, 2016**

	As of		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 4).....	¥ 29,239	¥ 14,466	\$ 127,319
Restricted bank deposits (Note 4).....	513	513	4,515
Time deposits.....	1,500	-	-
Rental receivables .....	880	792	6,970
Other current assets .....	2,150	1,277	11,239
<b>Total current assets</b> .....	<b>34,283</b>	<b>17,050</b>	<b>150,061</b>
<b>Non-current assets:</b>			
<b>Property and equipment (Notes 4, 5, 6, 8 and 11), at cost:</b>			
Land.....	551,759	566,877	4,989,236
Buildings.....	316,416	302,847	2,665,437
Building improvements.....	16,471	15,625	137,519
Machinery and equipment.....	1,843	2,004	17,637
Furniture and fixtures.....	4,081	4,033	35,495
Construction in progress.....	1,141	1,978	17,408
	891,713	893,365	7,862,744
Less: Accumulated depreciation.....	(95,585)	(92,768)	(816,475)
<b>Net property and equipment</b> .....	<b>796,127</b>	<b>800,597</b>	<b>7,046,268</b>
<b>Other assets:</b>			
Leasehold rights (Notes 4, 7 and 8).....	6,875	6,422	56,521
Other intangible assets (Notes 4, 7 and 8).....	101	122	1,073
Lease deposits (Note 4).....	1,708	1,663	14,636
Long-term prepaid expenses .....	2,708	2,516	22,143
Derivatives (Note 19).....	3	-	-
Bond issuance costs .....	143	132	1,161
Unit issuance costs .....	147	215	1,892
Other .....	470	519	4,567
<b>Total other assets</b> .....	<b>12,158</b>	<b>11,592</b>	<b>102,024</b>
<b>TOTAL ASSETS</b> .....	<b>¥ 842,568</b>	<b>¥ 829,239</b>	<b>\$ 7,298,354</b>

The accompanying notes are an integral part of these financial statements.

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**BALANCE SHEETS**  
**As of August 31, 2015 and February 29, 2016**

	As of		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 9).....	¥ 3,000	¥ 1,000	\$ 8,801
Current portion of long-term borrowings (Note 9).....	33,050	22,450	197,588
Current portion of long-term bonds issued — unsecured (Note 10).....	10,000	-	-
Current portion of tenant leasehold and security deposits (Notes 4 and 11).....	2,133	830	7,305
Accounts payable—operating .....	2,219	1,824	16,053
Accounts payable—other .....	10	14	123
Accrued expenses .....	2,150	2,038	17,936
Consumption tax payable .....	1,122	1,419	12,488
Rent received in advance .....	2,986	2,995	26,359
Deposits received .....	1,077	1,315	11,573
Other current liabilities .....	764	158	1,390
<b>Total current liabilities</b> .....	<b>58,513</b>	<b>34,048</b>	<b>299,665</b>
<b>Non-current liabilities:</b>			
Long-term borrowings (Note 9).....	296,541	288,641	2,540,406
Long-term bonds issued — unsecured (Note 10).....	37,500	37,500	330,047
Tenant leasehold and security deposits (Notes 4 and 11).....	57,625	52,002	457,683
Asset retirement obligations (Note 20).....	476	479	4,215
Derivatives liabilities (Note 19).....	347	1,831	16,115
Other .....	4	31	272
<b>Total non-current liabilities</b> .....	<b>392,495</b>	<b>380,485</b>	<b>3,348,750</b>
<b>TOTAL LIABILITIES</b> .....	<b>451,009</b>	<b>414,533</b>	<b>3,648,415</b>
<b>Net Assets (Note 12):</b>			
<b>Unitholders' equity:</b>			
Unitholders' capital, 8,000,000 units authorized; 2,430,198 units as of August 31, 2015 and 2,552,198 units as of February 29, 2016 issued and outstanding.....	363,254	387,198	3,407,833
Capital surplus.....	14,986	14,986	131,895
Reserve for reduction entry of property.....	502	502	4,418
Reserve for dividends.....	2,430	2,944	25,910
Retained earnings.....	10,731	10,912	96,039
<b>Total unitholders' equity</b> .....	<b>391,905</b>	<b>416,544</b>	<b>3,666,115</b>
<b>Valuation and translation adjustments:</b>			
Deferred losses on hedges.....	(345)	(1,839)	(16,185)
<b>Total valuation and translation adjustments</b> .....	<b>(345)</b>	<b>(1,839)</b>	<b>(16,185)</b>
<b>TOTAL NET ASSETS</b> .....	<b>391,559</b>	<b>414,705</b>	<b>3,649,929</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<b>¥ 842,568</b>	<b>¥ 829,239</b>	<b>\$ 7,298,354</b>

The accompanying notes are an integral part of these financial statements.

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
For the six months ended August 31, 2015 and February 29, 2016

	For the six months ended		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>Operating revenues</b>			
Rental and other operating revenues (Note 14).....	¥ 30,962	¥ 31,028	\$ 273,085
Gain on sales of property (Note 15).....	-	989	8,704
	<u>30,962</u>	<u>32,017</u>	<u>281,790</u>
<b>Operating expenses</b>			
Property-related expenses (Note 14).....	15,285	15,400	135,539
Asset management fees .....	2,545	2,502	22,020
Custodian fees .....	29	29	255
General administration fees .....	124	123	1,082
Other .....	161	276	2,429
	<u>18,146</u>	<u>18,332</u>	<u>161,344</u>
<b>Operating income</b> .....	<u>12,816</u>	<u>13,684</u>	<u>120,436</u>
<b>Non-operating revenues</b>			
Non-operating revenues.....	8	9	79
	<u>8</u>	<u>9</u>	<u>79</u>
<b>Non-operating expenses</b>			
Interest expense .....	1,721	1,661	14,618
Corporate bonds interest .....	386	375	3,300
Amortization of bond issuance costs .....	10	10	88
Amortization of unit issuance costs .....	70	75	660
Loan-related costs .....	413	410	3,608
Other non-operating expenses .....	4	4	35
	<u>2,607</u>	<u>2,539</u>	<u>22,346</u>
<b>Ordinary income</b> .....	<u>10,217</u>	<u>11,154</u>	<u>98,169</u>
<b>Extraordinary losses</b>			
Litigation settlement.....	-	242	2,129
	<u>-</u>	<u>242</u>	<u>2,129</u>
<b>Income before income taxes</b> .....	<u>10,217</u>	<u>10,912</u>	<u>96,039</u>
Income taxes (Note 16):			
Current.....	-	-	-
Deferred.....	(514)	-	-
	<u>(513)</u>	<u>-</u>	<u>-</u>
<b>Net income</b> .....	<u>10,731</u>	<u>10,912</u>	<u>96,039</u>
<b>Unappropriated earnings at beginning of period</b> .....	-	-	-
<b>Retained earnings at end of period (Note 13)</b> .....	<u>¥ 10,731</u>	<u>¥ 10,912</u>	<u>\$ 96,039</u>

The accompanying notes are an integral part of these financial statements.

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
For the six months ended August 31, 2015 and February 29, 2016

	Unitholders' equity						Valuation and translation adjustments			
	Surplus						Total unitholders' equity	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
	Unitholders' capital	Capital surplus	Reserve for reduction entry of property	Reserve for dividends	Retained earnings	Total surplus				
	(in millions)									
Balance as of February 28, 2015.....	¥ 363,254	¥ 14,986	¥ -	¥ 2,430	¥ 10,660	¥ 28,077	¥ 391,332	¥ (404)	¥ (404)	¥ 390,928
Changes during the period										
Appropriation of reserve for reduction entry of property.....	-	-	502	-	(502)	-	-	-	-	-
Cash distribution declared.....	-	-	-	-	(10,158)	(10,158)	(10,158)	-	-	(10,158)
Net income.....	-	-	-	-	10,731	10,731	10,731	-	-	10,731
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	58	58	58
Total changes during the period	-	-	502	-	70	572	572	58	58	631
Balance as of August 31, 2015.....	¥ 363,254	¥ 14,986	¥ 502	¥ 2,430	¥ 10,731	¥ 28,650	¥ 391,905	¥ (345)	¥ (345)	¥ 391,559
Changes during the period										
Issuance of new investment units.....	23,943	-	-	-	-	-	23,943	-	-	23,943
Appropriation of reserve for dividends.....	-	-	-	514	(514)	-	-	-	-	-
Cash distribution declared.....	-	-	-	-	(10,216)	(10,216)	(10,216)	-	-	(10,216)
Net income.....	-	-	-	-	10,912	10,912	10,912	-	-	10,912
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	(1,493)	(1,493)	(1,493)
Total changes during the period	23,943	-	-	514	181	695	24,639	(1,493)	(1,493)	23,146
Balance as of February 29, 2016.....	¥ 387,198	¥ 14,986	¥ 502	¥ 2,944	¥ 10,912	¥ 29,346	¥ 416,544	¥ (1,839)	¥ (1,839)	¥ 414,705

	Unitholders' equity						Valuation and translation adjustments			
	Surplus						Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets	
	Unitholders' capital	Capital surplus	Reserve for reduction entry of property	Reserve for dividends	Retained earnings	Total surplus				Total unitholders' equity
	(in thousands of U.S. dollars (Note 3))									
Balance as of August 31, 2015.....	\$ 3,197,095	\$ 131,895	\$ 4,418	\$ 21,387	\$ 94,446	\$ 252,156	\$ 3,449,260	\$ (3,036)	\$ (3,036)	\$ 3,446,215
Changes during the period										
Issuance of new investment units.....	210,728	-	-	-	-	-	210,728	-	-	210,728
Appropriation of reserve for dividends.....	-	-	-	4,523	(4,523)	-	-	-	-	-
Cash distribution declared.....	-	-	-	-	(89,913)	(89,913)	(89,913)	-	-	(89,913)
Net income.....	-	-	-	-	96,039	96,039	96,039	-	-	96,039
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	(13,140)	(13,140)	(13,140)
Total changes during the period	210,728	-	-	4,523	1,593	6,116	216,854	(13,140)	(13,140)	203,714
Balance as of February 29, 2016.....	\$ 3,407,833	\$ 131,895	\$ 4,418	\$ 25,910	\$ 96,039	\$ 258,281	\$ 3,666,115	\$ (16,185)	\$ (16,185)	\$ 3,649,929

The accompanying notes are an integral part of these financial statements.



**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**For the six months ended August 31, 2015 and February 29, 2016**

	For the six months ended		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S.dollars (Note 3))
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes.....	¥ 10,217	¥ 10,912	\$ 96,039
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation.....	6,236	6,138	54,022
Amortization of bond issuance costs.....	10	10	88
Amortization of unit issuance costs.....	70	75	660
Gain on sales of property.....	-	(989)	(8,704)
Loss on disposal of fixed assets.....	99	64	563
Interest income.....	(3)	(6)	(52)
Interest expense.....	2,108	2,037	17,928
Litigation settlement.....	-	242	2,129
Changes in assets and liabilities:			
Decrease in Rental receivables.....	232	87	765
Decrease in Consumption tax refundable.....	457	-	-
(Increase) decrease in Long-term prepaid expenses.....	(42)	192	1,689
Increase (decrease) in Accounts payable - operating.....	219	(194)	(1,707)
(Decrease) increase in Accounts payable - other.....	(24)	3	26
Increase (decrease) in Accrued expenses.....	52	(39)	(343)
Increase in Consumption tax payable.....	1,122	297	2,613
Increase in Rent received in advance.....	68	9	79
(Decrease) increase in Deposits received.....	(1,144)	238	2,094
Other, net.....	271	(293)	(2,578)
Sub total.....	19,952	18,788	165,358
Interest received.....	3	6	52
Interest expenses paid.....	(2,060)	(2,108)	(18,553)
Payments for litigation settlement.....	-	(282)	(2,481)
Income taxes paid.....	-	-	-
Net cash provided by operating activities.....	17,894	16,402	144,358
<b>Cash Flows from Investing Activities:</b>			
Proceeds from withdrawal of time deposits.....	-	1,500	13,201
Purchase of property and equipment.....	(12,868)	(66,537)	(585,609)
Proceeds from sales of property and equipment.....	-	58,158	511,864
Purchase of intangible assets.....	-	(46)	(404)
Proceeds from sales of intangible assets.....	-	228	2,006
Payments of tenant leasehold and security deposits.....	(1,588)	(10,120)	(89,068)
Proceeds from tenant leasehold and security deposits.....	1,328	2,567	22,592
Proceeds from deposits and others.....	7	44	387
Payments of deposits and others.....	-	(48)	(422)
Net cash used in investing activities.....	(13,121)	(14,254)	(125,453)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term borrowings.....	3,000	5,500	48,406
Repayments of short-term borrowings.....	-	(7,500)	(66,009)
Proceeds from long-term borrowings.....	29,800	22,000	193,627
Repayments of long-term borrowings.....	(25,010)	(40,500)	(356,451)
Redemption of corporate bonds.....	-	(10,000)	(88,012)
Proceeds from issuance of investment units.....	-	23,799	209,461
Distribution payments.....	(10,160)	(10,220)	(89,948)
Net cash used in financing activities.....	(2,370)	(16,921)	(148,926)
<b>Net change in cash and cash equivalents.....</b>	<b>2,402</b>	<b>(14,772)</b>	<b>(130,012)</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>26,836</b>	<b>29,239</b>	<b>257,340</b>
<b>Cash and cash equivalents at end of period.....</b>	<b>¥ 29,239</b>	<b>¥ 14,466</b>	<b>\$ 127,319</b>

The accompanying notes are an integral part of these financial statements.

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the six months ended August 31, 2015 and February 29, 2016**

**Note 1 — Organization**

Japan Retail Fund Investment Corporation (the “Company”), a real estate investment corporation, with initial capital of ¥200 million, was incorporated on September 14, 2001, under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). The sponsors of the Company are Mitsubishi Corporation, UBS Global Asset Management (Japan) Ltd. and Mitsubishi Corp.-UBS Realty Inc. The Company was formed to invest primarily in retail properties in Japan. On March 12, 2002, the Company raised ¥23.46 billion through an initial public offering of 52,000 investment units.

On March 13, 2002, the day after the Company was listed on the J-REIT section of the Tokyo Stock Exchange, four retail properties were acquired, and operations of the Company commenced.

On March 1, 2010, the Company merged with LaSalle Japan REIT Inc.

The total assets managed by the Company at the end of the 28th fiscal period (February 29, 2016) amounted to ¥852.4 billion (US\$7,502 million) (the total acquisition price of 94 properties).

**Note 2 — Summary of Significant Accounting Policies**

***(a) Basis of Presentation***

The Company maintains its accounts and records in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan, and other related regulations, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying financial statements, relevant notes have been added and certain reclassifications have been made from financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan.

The financial statements are not intended to present the financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company’s fiscal period is a six-month period which ends at the end of February and August of each year.

Amounts less than ¥1 million and US\$ 1 thousand have been rounded down. As a result, the total shown in the financial statements and notes thereto do not necessarily agree to the sum of the individual account balances.

The Company does not prepare consolidated financial statements as it has no subsidiaries.

***(b) Cash and Cash Equivalents and Restricted Bank Deposits***

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible into cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition.

The usage of restricted bank deposits is limited to repayments of tenant leasehold and security deposits.

***(c) Property and Equipment***

Property and equipment is recorded at cost. Depreciation of property and equipment, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets as stated below:

Buildings .....	2-50 years
Building improvements.....	2-60 years
Machinery and equipment .....	2-17 years
Furniture and fixtures.....	2-20 years

***(d) Other Intangible Assets***

Other intangible assets are amortized on a straight-line basis over the period of the estimated useful lives of the assets.

***(e) Long-term Prepaid Expenses***

Long-term prepaid expenses are amortized on a straight-line basis.

***(f) Impairment of Fixed Assets***

An impairment assessment is carried out on an asset or group of assets, such as fixed assets and intangible assets, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If the asset or group of assets is deemed to be impaired, an impairment loss is recognized for the difference between the carrying amount and the recoverable amount of the asset or group of assets.

***(g) Accounting Treatment of Trust Beneficiary Interests in Real Estate Trusts***

Trust beneficiary interests in real estate trusts are commonly utilized to obtain ownership in commercial properties in Japan, through which the Company holds all of its real estate. Assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant accounts for balance sheet and statement of income and retained earnings of the Company in proportion to the percentage interest that such trust beneficiary interest represents.

***(h) Bond Issuance Costs***

Bond issuance costs are capitalized and amortized on a straight-line basis over the maturity period of the bonds issued, which range from ten to twelve years.

***(i) Unit Issuance Costs***

Unit issuance costs are capitalized and amortized over three years.

***(j) Income Taxes***

Deferred tax assets and liabilities are computed based on the temporary differences between accounting and tax bases of assets and liabilities using the applicable statutory tax rate.

***(k) Consumption Taxes***

Consumption taxes withheld and consumption taxes paid are not included in the statements of income and retained earnings. Consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld are included in current assets and the excess of amounts withheld over payments are included in current liabilities as the case may be.

***(l) Taxes on Property and Equipment***

Property and equipment are subject to various taxes, such as property taxes and urban planning taxes, on an annual basis. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and such taxes are imposed on the owner registered in the record as of January 1st of each year based on the assessment made by the local government.

Under the above tax rules, a seller of a property at the time of disposition is liable for these taxes on the property from the date of disposition to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued tax liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes calculated from the acquisition date to the end of the calendar year is capitalized as a cost of the property in accordance with Japanese GAAP. In subsequent calendar years, half of such taxes on property and equipment for each calendar year are charged as operating expenses in each fiscal period.

Taxes on property and equipment capitalized amounted to ¥17 million and ¥50 million (US\$440 thousand) for the six months ended August 31, 2015 and February 29, 2016, respectively.

***(m) Revenue Recognition***

Revenue from the leasing of retail space includes fixed rental revenues, variable rental revenues, sales-based rental revenues, recoveries of utility charges and other miscellaneous income, which are all recognized in a pattern appropriate for each revenue stream.

#### ***(n) Hedge Accounting***

In accordance with the Company's risk management policy and its internal rules, the Company uses derivative instruments for the purpose of hedging risks that are prescribed in the Company's articles of incorporation. The Company hedges fluctuations in interest rates of borrowings through the use of interest rate swaps as hedging instruments, to which deferred hedge accounting is applied, where gains or losses on derivatives qualifying for hedge accounting are deferred as valuation and translation adjustments within net assets until maturity of the hedge transaction. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments and those of the hedged items.

For the interest rate swaps which qualify for hedge accounting and meet specific criteria, the Company applies the special treatment provided under Japanese GAAP under which only the interest received or paid under such swap contracts is recognized and added to or reduced from any interest earned or incurred on the hedged asset or liability as appropriate, and the fair value of the interest rate swaps is not required to be measured separately. The assessment of hedge effectiveness is not performed when the interest rate swaps meet the specific criteria required for such special treatment.

#### ***(o) Equipment Leases***

The Company capitalized all finance leases that do not transfer ownership of the leased property to the lessee on its balance sheets and depreciates the leased assets using the straight-line method, assuming no residual value, over the lease term.

### **Note 3 — U.S. Dollar Amounts**

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥113.62 = US\$1, the effective rate of exchange prevailing at February 29, 2016. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended February 29, 2016 is solely for the convenience of readers outside of Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, United States dollar amounts at that or any other rate.

## Note 4 — Trust Beneficiary Interest in Real Estate Trusts

The investment properties managed by the Company consist of real properties and trust beneficiary interest in real estate trusts. For trust beneficiary interest in real estate trusts, all assets and liabilities with respect to assets in the trusts are recorded in the relevant balance sheet accounts of the Company in proportion to the percentage interest in the trusts.

The assets and liabilities owned in the real estate trusts are summarized as follows:

	As of		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>Assets</b>			
Current assets:			
Cash and cash equivalents.....	¥ 10,639	¥ 10,262	\$ 90,318
Restricted bank deposits.....	513	513	4,515
Property and equipment, at cost:			
Land.....	523,447	541,684	4,767,505
Buildings.....	313,905	300,772	2,647,174
Building improvements.....	16,387	15,562	136,965
Machinery and equipment.....	1,843	2,004	17,637
Furniture and fixtures.....	4,062	4,017	35,354
Construction in progress.....	1,141	1,966	17,303
	860,787	866,007	7,621,959
Less: Accumulated depreciation.....	(95,169)	(92,413)	(813,351)
Net property and equipment.....	765,617	773,593	6,808,598
Other assets:			
Leasehold rights.....	6,855	6,422	56,521
Other intangible assets.....	101	122	1,073
Lease deposits.....	1,708	1,663	14,636
<b>Liabilities</b>			
Current liabilities:			
Current portion of tenant leasehold and security deposits.....	2,133	830	7,305
Non-current liabilities:			
Tenant leasehold and security deposits.....	55,753	50,179	441,638

## Note 5 — Reduction Entry for Property

Acquisition costs of certain buildings were reduced by government subsidies received. The amounts of such reduction for the six months ended August 31, 2015 were ¥5 million.

## Note 6 — Schedule of Property and Equipment

(i) Schedule of Property and Equipment as of August 31, 2015 consisted of the following:

	At cost			Ending balance (in millions)	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
Land.....	¥ 543,258	¥ 8,872	¥ 371	¥ 551,759	¥ -	¥ -	¥ 551,759
Buildings.....	314,154	2,552	290	316,416	86,540	5,675	229,875
Building improvements.....	16,081	391	1	16,471	5,591	308	10,880
Machinery and equipment.....	1,820	23	-	1,843	898	55	945
Furniture and fixtures.....	4,017	67	2	4,081	2,555	148	1,526
Construction in progress.....	-	1,141	-	1,141	-	-	1,141
Total.....	¥ 879,331	¥ 13,047	¥ 666	¥ 891,713	¥ 95,585	¥ 6,188	¥ 796,127

(ii) Schedule of Property and Equipment as of February 29, 2016 consisted of the following:

	At cost			Ending balance (in millions)	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
Land.....	¥ 551,759	¥ 58,923	¥ 43,805	¥ 566,877	¥ -	¥ -	¥ 566,877
Buildings.....	316,416	13,381	26,949	302,847	84,025	5,572	218,822
Building improvements.....	16,471	608	1,454	15,625	5,347	295	10,277
Machinery and equipment.....	1,843	275	114	2,004	898	59	1,105
Furniture and fixtures.....	4,081	280	328	4,033	2,496	161	1,537
Construction in progress.....	1,141	1,115	278	1,978	-	-	1,978
Total.....	¥ 891,713	¥ 74,584	¥ 72,931	¥ 893,365	¥ 92,768	¥ 6,089	¥ 800,597

	At cost			Ending balance (in thousands of U.S. dollars (Note 3))	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
Land.....	\$ 4,856,178	\$ 518,597	\$ 385,539	\$ 4,989,236	\$ -	\$ -	\$ 4,989,236
Buildings.....	2,784,861	117,769	237,185	2,665,437	739,526	49,040	1,925,910
Building improvements.....	144,965	5,351	12,797	137,519	47,060	2,596	90,450
Machinery and equipment.....	16,220	2,420	1,003	17,637	7,903	519	9,725
Furniture and fixtures.....	35,917	2,464	2,886	35,495	21,967	1,417	13,527
Construction in progress.....	10,042	9,813	2,446	17,408	-	-	17,408
Total.....	\$ 7,848,204	\$ 656,433	\$ 641,885	\$ 7,862,744	\$ 816,475	\$ 53,590	\$ 7,046,268

## Note 7 — Schedule of Intangible Assets

(i) Schedule of Intangible Assets as of August 31, 2015 consisted of the following:

	At cost			Ending balance (in millions)	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
Leasehold rights.....	¥ 6,987	¥ -	¥ -	¥ 6,987	¥ 112	¥ 32	¥ 6,875
Other intangible assets.....	308	-	-	309	208	15	101
Total.....	¥ 7,296	¥ -	¥ -	¥ 7,297	¥ 320	¥ 48	¥ 6,976

(ii) Schedule of Intangible Assets as of February 29, 2016 consisted of the following:

	At cost			Ending balance (in millions)	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
Leasehold rights.....	¥ 6,987	¥ 19	¥ 476	¥ 6,531	¥ 109	¥ 30	¥ 6,422
Other intangible assets.....	309	46	16	339	216	18	122
Total.....	¥ 7,297	¥ 66	¥ 492	¥ 6,871	¥ 326	¥ 49	¥ 6,544

	At cost			Ending balance (in thousands of U.S. dollars (Note 3))	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
Leasehold rights.....	\$ 61,494	\$ 167	\$ 4,189	\$ 57,481	\$ 959	\$ 264	\$ 56,521
Other intangible assets.....	2,719	404	140	2,983	1,901	158	1,073
Total.....	\$ 64,222	\$ 580	\$ 4,330	\$ 60,473	\$ 2,869	\$ 431	\$ 57,595

## Note 8 — Fair Value of Investment and Rental Property

The following table shows the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended August 31, 2015 and February 29, 2016.

	As of / For the six months ended		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>Net book value<sup>(i)</sup></b>			
Balance at the beginning of the period.....	¥ 796,765	¥ 803,103	\$ 7,068,324
Net increase during the period <sup>(ii)</sup> .....	6,338	4,038	35,539
Balance at the end of the period.....	<u>¥ 803,103</u>	<u>¥ 807,141</u>	<u>\$ 7,103,863</u>
<b>Fair value<sup>(iii)</sup></b> .....	¥ 874,015	¥ 898,682	\$ 7,909,540

Notes:

- (i) The net book value includes leasehold rights and other intangible assets.  
(ii) Changes in the net book value are mainly due to the following transactions (except for depreciation):

For the six months ended August 31, 2015:		Increase (decrease) in net book value (in millions)
Acquisitions:		
EDION Kyobashi (Land with leasehold interest).....	¥	5,756
G-Bldg. Ueno 01.....		3,459
Capital expenditures:		
Renewal of disaster prevention equipment of Nara Family.....		149
Total of capital expenditures for the period (including above expenditure).....		2,312

For the six months ended February 29, 2016:

		Increase (decrease) in net book value (in millions)	(in thousands of U.S. dollars (Note 3))
Acquisitions:			
G-Bldg. Kichijoji 02.....	¥	15,429	\$ 135,794
G Bldg. Umeda 01.....		9,822	86,446
G-Bldg. Akihabara 01.....		5,037	44,331
G-Bldg. Abeno 01.....		4,338	38,179
G-Bldg. Sendai Ichibancho 01.....		2,937	25,849
G-Bldg. Akihabara 02.....		2,530	22,267
Takadanobaba (Land with leasehold interest).....		2,509	22,082
G-Bldg. Shinsaibashi 04.....		2,448	21,545
mozo wonder city (additional acquisition of interest of quasi-co-ownership).....		11,921	104,919
G-Bldg. Minami Aoyama 01 (additional acquisition of interest of quasi-co-ownership).....		3,693	32,503
DFS T GALLERIA OKINAWA (additional acquisition of interest of quasi-co-ownership).....		2,573	22,645
Capital expenditures:			
Construction for activating plan of mozo wonder city.....		1,724	15,173
Total of capital expenditures for the period (including above expenditure).....		3,556	31,297
Disposition:			
AEON MALL Yachiyo Midorigaoka.....		27,944	245,942
AEON Nishi-Otsu.....		12,194	107,322
AEON Ueda.....		7,997	70,383
AEON Omiya.....		5,744	50,554
AEON MALL Kashiihama (partial disposition of interest of quasi-co-ownership).....		3,516	30,945

- (iii) Fair value has been determined based on independent real estate appraisers. For AEON MALL Kashiihama, a sales price of the sales agreement dated October 15, 2015 is used as fair value as of February 29, 2016.

For rental revenues and expenses for the six months ended August 31, 2015 and February 29, 2016, please refer to “Note 14 — Analysis of Rental and Other Operating Revenues and Property-Related Expenses”.

## Note 9 — Bank Borrowings, Credit Facilities and Commitment Lines

Bank borrowings outstanding as of August 31, 2015 and February 29, 2016 and average interest rates range for each period were as follows:

	As of / For the six months ended		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>Bank borrowings at end of the period</b>			
Short-term borrowings.....	¥ 3,000	¥ 1,000	\$ 8,801
Long-term borrowings.....	329,591	311,091	2,737,995
Total.....	¥ 332,591	¥ 312,091	\$ 2,746,796
<b>Average interest rates range for the period.....</b>	From 0.3% to 3.0%	From 0.2% to 3.0%	

As of August 31, 2015 and February 29, 2016, the Company entered into credit facilities and committed lines of credit as follows:

	As of		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>Credit Facilities</b>			
Total amount of credit facilities.....	¥ 35,500	¥ 35,500	\$ 312,444
Borrowings drawn down.....	-	-	-
Unused credit facilities.....	¥ 35,500	¥ 35,500	\$ 312,444
<b>Commitment Lines</b>			
Total amount of committed lines of credit.....	¥ 60,000	¥ 60,000	\$ 528,076
Borrowings drawn down.....	-	-	-
Unused committed lines of credit.....	¥ 60,000	¥ 60,000	\$ 528,076

## Note 10 — Corporate Bonds

The details of unsecured corporate bonds issued and outstanding as of August 31, 2015 and February 29, 2016 were as follows:

	Balance as of		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>Long-term bonds—unsecured</b>			
¥10 billion of 10-year bonds, issued on February 22, 2006, maturing on February 22, 2016 with a coupon of 2.02%.....	¥ 10,000	¥ -	\$ -
¥15 billion of 10-year bonds, issued on May 23, 2007, maturing on May 23, 2017 with a coupon of 2.17%.....	15,000	15,000	132,019
¥7.5 billion of 10-year bonds, issued on December 18, 2013, maturing on December 18, 2023 with a coupon of 1.108%.....	7,500	7,500	66,009
¥8 billion of 12-year bonds, issued on June 26, 2014, maturing on June 26, 2026 with a coupon of 1.26%.....	8,000	8,000	70,410
¥7 billion of 10-year bonds, issued on February 5, 2015, maturing on February 5, 2025 with a coupon of 0.765%.....	7,000	7,000	61,608
Total.....	¥ 47,500	¥ 37,500	\$ 330,047



## Note 11 — Collateral

Certain properties and beneficiary interests in trusts (comprising of properties and cash) with an aggregate book value of ¥254,033 million and ¥243,923 million (US\$2,146,831 thousand) were pledged as collateral to secure tenant leasehold and security deposits totaling ¥32,511 million and ¥24,312 million (US\$213,976 thousand) as of August 31, 2015 and February 29, 2016, respectively.

Certain lands and buildings included in the above aggregate book value were pledged as collateral to secure co-owner's payment of tenant leasehold and security deposits for amounts of ¥691 million and ¥691 million (US\$6,081 thousand) and a former owner's payment of retirement benefit obligation for amounts of ¥350 million and ¥350 million (US\$3,080 thousand) as of August 31, 2015 and February 29, 2016, respectively.

## Note 12 — Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new units is allocated to unitholders' capital within net assets. The Company is required to maintain net assets of at least ¥50 million (US\$440 thousand) in accordance with the Investment Trust Act.

The units issued and outstanding were 2,430,198 units and 2,552,198 units as of August 31, 2015 and February 29, 2016, respectively.

## Note 13 — Appropriation of Retained Earnings

The Company's articles of incorporation stipulate the policy that the Company makes distributions in excess of 90% of distributable profit as defined in the Special Taxation Measure Act of Japan. In accordance with this policy, the Company intends to make regular distributions to unitholders with respect to its semi-annual fiscal periods, ending at the end of February and August of each year.

The following table shows the distributions of retained earnings for the six months ended August 31, 2015 and February 29, 2016, respectively.

	For the six months ended		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
Retained earnings at the end of period.....	¥ 10,731	¥ 10,912	\$ 96,039
Cash distribution declared.....	(10,216)	(10,719)	(94,340)
Transfer to reserve for dividends.....	(514)	(193)	(1,698)
Retained earnings carried forward.....	¥ -	¥ -	\$ -

Because reversal of deferred tax liabilities did not qualify as distributable profit as defined in the Special Taxation Measures Act of Japan, the Company transferred ¥514 million from retained earnings of ¥10,731 million as of August 31, 2015 to reserve for dividends and declared a total distribution of ¥10,216 million, representing substantially all of remaining retained earnings after transferring to reserve for dividends.

For the year ended February 29, 2016, the Company transferred ¥193 million (US\$1,698 thousand), a portion of gain on sales of property, to reserve for dividends from retained earnings of ¥10,912 million (US\$96,039 thousand) at the end of the period then ended and declared a total distribution of ¥10,719 (US\$94,340 thousand), representing all of the remaining profit after the transfer.

The financial statements do not reflect the transfer to reserve for dividends and declaration of distribution as of the end of each fiscal period.

## Note 14 — Analysis of Rental and Other Operating Revenues and Property-Related Expenses

Rental and other operating revenues and property-related expenses for the six months ended August 31, 2015 and February 29, 2016 consist of the following:

	For the six months ended		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>Rental and other operating revenues:</b>			
Rental and parking revenue.....	¥ 27,212	¥ 27,382	\$ 240,996
Common area charges.....	1,622	1,502	13,219
Other.....	2,127	2,143	18,861
Total rental and other operating revenues.....	<u>¥ 30,962</u>	<u>¥ 31,028</u>	<u>\$ 273,085</u>
<b>Property-related expenses:</b>			
Property management fees.....	¥ 686	¥ 805	\$ 7,085
Facility management fees.....	1,365	1,476	12,990
Utilities.....	1,965	1,749	15,393
Property-related taxes.....	2,896	2,803	24,669
Repair and maintenance.....	214	346	3,045
Insurance.....	56	53	466
Trust fees.....	86	87	765
Rent expense <sup>(i)</sup> .....	896	889	7,824
Other.....	779	984	8,660
Depreciation.....	6,236	6,138	54,022
Loss on disposal of property.....	99	64	563
Total property-related expenses.....	<u>¥ 15,285</u>	<u>¥ 15,400</u>	<u>\$ 135,539</u>
<b>Operating income from property leasing activities.....</b>	<u>¥ 15,677</u>	<u>¥ 15,628</u>	<u>\$ 137,546</u>

Note:

(i) Rent expense represents payments to the owners of the building and/or land in which the Company has leasehold rights.

## Note 15 — Analysis of Gain on Sales of Property

Analysis of gain on sales of property for the six months ended February 29, 2016 is as follows:

	For the six months ended	
	February 29, 2016	
	(in millions)	(in thousands of U.S. dollars (Note 3))
Sale of property.....	¥ 58,417	\$ 514,143
Cost of property.....	(57,397)	(505,166)
Other sales expenses.....	(30)	(264)
Gain on sales of property, net.....	<u>¥ 989</u>	<u>\$ 8,704</u>

## Note 16 — Income Taxes

The Company is subject to corporate income taxes in Japan at a statutory rate of approximately 40%. The Company may deduct from its taxable income the amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Act of Japan. Under this act, the Company must meet a number of tax requirements, including a requirement to distribute in excess of 90% of the distributable profit for the fiscal period in order to be able to deduct such amounts. If the Company does not satisfy all of the requirements, the entire taxable income of the Company will be subject to regular corporate income taxes in Japan.

The Company has a policy of making distributions in excess of 90% of its distributable profit for the fiscal period to satisfy the above requirements set forth in the Special Taxation Measures Act of Japan to achieve a deduction of distributions for income tax purposes. The Company has distributed approximately 100% of distributable profit. Hence, the Company has treated the distributions as a tax allowable deduction as defined in the Special Taxation Measures Act of Japan.

Deferred tax assets or liabilities are recognized where assets or liabilities have different accounting and tax bases. The tax rate used for the calculation of deferred tax is the rate applicable to the period in which the temporary differences are expected to be reversed. Since we would generally not expect to incur income tax payable in the future, in principle we recognize a valuation allowance in full for future deductible temporary differences that would give rise to deferred tax assets. Deferred tax liabilities are recognized except for cases where it is highly likely that the Company will not be subject to income tax in the future.

Reconciliation of the Company's effective tax rate and statutory tax rate are as follows:

	For the six months ended	
	August 31, 2015	February 29, 2016
	(Rate)	
Statutory tax rate.....	34.15%	32.31%
Deductible cash distributions.....	(34.15)	(31.74)
Change in tax rate.....	4.89	-
Change in expectation of payment for deferred tax liability based on tax reform.....	(5.03)	-
Change in valuation allowance (for deferred tax assets).....	(4.78)	(0.59)
Other.....	(0.11)	0.03
Effective tax rate.....	(5.03%)	0.01%

Deferred tax assets and liabilities consist of the following:

	As of		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
<b>Deferred tax assets:</b>			
Current:			
Tax loss carryforwards.....	¥ 2,806	¥ 2,715	\$ 23,895
Other.....	12	2	17
<i>Sub total</i> .....	2,819	2,717	23,913
Valuation allowance.....	(2,819)	(2,717)	(23,913)
<i>Total</i> .....	-	-	-
Non-current:			
Amortization of leasehold rights.....	45	58	510
Depreciation.....	42	58	510
Asset retirement obligations.....	154	155	1,364
Valuation differences on assets acquired through the merger.....	5,509	5,504	48,442
Derivatives liabilities.....	112	591	5,201
Other.....	-	7	61
<i>Sub total</i> .....	5,863	6,375	56,108
Valuation allowance.....	(5,863)	(6,375)	(56,108)
<i>Total</i> .....	-	-	-
<i>Total deferred tax assets</i> .....	-	-	-
<b>Net deferred tax assets</b> .....	¥ -	¥ -	\$ -

On March 31, 2016, the Japanese government announced two acts to partially amend the Income Tax Act (Act No.15 of 2016) and the Local Tax Act (Act No.13 of 2016) which resulted in changes in the statutory tax rate from fiscal periods beginning on or after April 1, 2016. As a consequence of the effects of these Acts, the statutory tax rate will change from 32.31% to 31.74% for temporary differences which will reverse in the six months ending February 28, 2017 and August 31, 2017. The effects of this change in the statutory tax rate are immaterial for the Company.

## Note 17 — Leases

### *(a) Lease Rental Revenues*

The Company leases its properties to retail tenants. Future minimum rental revenues pursuant to existing rental contracts as of August 31, 2015 and February 29, 2016 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	As of		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
Due within one year.....	¥ 27,265	¥ 27,989	\$ 246,338
Due after one year.....	100,644	103,937	914,777
Total.....	¥ 127,910	¥ 131,926	\$ 1,161,116

### *(b) Lease Commitments*

As described in Note 2 (o), Finance lease transactions that do not transfer ownership of the leased property to the lessee, are capitalized and depreciated on a straight-line basis, assuming no residual value, over the lease term. Such capitalized leased properties are furniture and fixtures and machinery and equipment.

## Note 18 — Financial Instruments

### *(a) Qualitative information for financial instruments*

#### *(i) Policy for financial instrument transactions*

The Company raises funds through borrowings, issuance of corporate bonds, or issuance of investment units, for the purpose of the acquisition of real estate properties, payment of expenditures on property maintenance and/or repayment of existing debt. Surplus funds are managed carefully by investing in financial instruments that meet the Company's investment policy in terms of liquidity and safety in light of the current financial market conditions. Derivative instruments are used only for hedging purposes and not for speculative purposes.

#### *(ii) Nature and extent of risks arising from financial instruments and risk management*

The funds raised through borrowings or issuance of corporate bonds are mainly used to acquire real estate properties or properties in trust, and for the repayment of existing borrowings or the redemption of corporate bonds. Tenant leasehold and security deposits are deposits from tenants.

Although borrowings with floating interest rates are subject to fluctuations in market interest rates, the Company maintains an appropriate level of liabilities ratio in order to manage its exposure to the potential rise in the market interest rates. In addition, a certain portion of long-term borrowings with floating interest rates is hedged by derivatives (interest rate swaps) as hedging instruments. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments and the hedged items. When the interest rate swaps meet specific criteria required for the special treatment provided under Japanese GAAP, the assessment of hedge effectiveness is not performed. In accordance with the Company's risk management policy and internal rules, the Company uses derivative instruments for the purpose of hedging risks that are prescribed in the Company's articles of incorporation.

Liquidity risks relating to borrowings, corporate bonds and tenant leasehold and security deposits are managed by preparing monthly plans for funds, maintaining high liquidity and entering into credit facility agreements and commitment line agreements.

#### *(iii) Supplemental information on fair value of financial instruments*

The fair value of financial instruments is based on quoted market prices, if available. When quoted market prices are not available, fair value is estimated using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated value may differ.

**(b) Quantitative information for financial instruments**

The following table shows the carrying amounts, fair value and unrealized gain (loss) of financial instruments for which fair value is available as of August 31, 2015 and February 29, 2016.

	As of								
	August 31, 2015			February 29, 2016			February 29, 2016		
	Carrying amounts	Fair value	Unrealized gain (loss)	Carrying amounts	Fair value	Unrealized gain (loss)	Carrying amounts	Fair value	Unrealized gain (loss)
	(in millions)						(in thousands of U.S. dollars (Note 3))		
<b>Assets:</b>									
(1) Cash and cash equivalents.....	¥ 29,239	¥ 29,239	¥ -	¥ 14,466	¥ 14,466	¥ -	\$ 127,319	\$ 127,319	\$ -
(2) Restricted bank deposits.....	513	513	-	513	513	-	4,515	4,515	-
(3) Time deposits.....	1,500	1,500	-	-	-	-	-	-	-
Total.....	¥ 31,252	¥ 31,252	¥ -	¥ 14,979	¥ 14,979	¥ -	\$ 131,834	\$ 131,834	\$ -
<b>Liabilities:</b>									
(1) Short-term borrowings.....	¥ 3,000	¥ 3,000	¥ -	¥ 1,000	¥ 1,000	¥ -	\$ 8,801	\$ 8,801	\$ -
(2) Current portion of long-term borrowings.....	33,050	33,251	(201)	22,450	22,571	(121)	197,588	198,653	(1,064)
(3) Current portion of long-term bonds issued.....	10,000	10,087	(87)	-	-	-	-	-	-
(4) Current portion of tenant leasehold and security deposits.....	2,133	2,150	(17)	830	843	(12)	7,305	7,419	(105)
(5) Long-term borrowings.....	296,541	299,804	(3,263)	288,641	295,551	(6,910)	2,540,406	2,601,223	(60,816)
(6) Long-term bonds issued.....	37,500	38,445	(945)	37,500	39,092	(1,592)	330,047	344,059	(14,011)
(7) Tenant leasehold and security deposits.....	8,996	9,436	(439)	3,486	3,718	(231)	30,681	32,723	(2,033)
Total.....	¥ 391,221	¥ 396,174	¥ (4,953)	¥ 353,908	¥ 362,776	¥ (8,867)	\$ 3,114,838	\$ 3,192,888	\$ (78,040)
<b>Derivative instruments*</b> .....	¥ (345)	¥ (345)	¥ -	¥ (1,839)	¥ (1,839)	¥ -	\$ (16,185)	\$ (16,185)	\$ -

\* Net assets and liabilities arising from derivative transactions are presented after off-setting against each other, with amounts in parentheses representing liabilities.

**Notes:**

(i) The methods and assumptions used to estimate fair value are as follows:

**Assets**

(1) Cash and cash equivalents, (2) Restricted bank deposits and (3) Time deposits

The carrying amounts of cash and cash equivalents, restricted bank deposits or time deposits are deemed to approximate their fair value.

**Liabilities**

(1) Short-term borrowings

Because of their short maturities, the carrying amounts of short-term borrowing approximate their fair values.

(2) Current portion of long-term borrowings and (5) Long-term borrowings

Long-term borrowings with floating interest rates are stated at their carrying amounts as their carrying amounts approximate their fair values. When long-term borrowings with floating interest rates are hedged by interest rate swaps that qualify for hedge accounting and meet special criteria, the fair value of the hedged long-term borrowings is determined based on the present value of contractual cash flows in conjunction with the hedging interest rate swaps discounted at current market interest rates that would be applicable to new borrowings under the same conditions and terms. For fair value of long-term borrowings with fixed interest rates, the fair value is determined based on the present value of contractual cash flows discounted at current market interest rates which would be applicable to new borrowings under the same conditions and terms.

(3) Current portion of long-term bonds issued and (6) Long-term bonds issued

The fair value is the quoted price provided by pricing vendors.

(4) Current portion of tenant leasehold and security deposits and (7) Tenant leasehold and security deposits

The fair value is determined based on the present value of contractual cash flows discounted at current interest rates that would be applicable to contracts with similar terms and credit risk.

**Derivative instruments**

Please refer to "Note 19 — Derivatives" for disclosure of the fair value of the interest rate swaps that is based on the amount calculated by the counterparty to the swap contracts.

(ii) Financial instruments for which fair value is difficult to determine are as follows:

	As of		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in thousands of U.S. dollars (Note 3))		
Tenant leasehold and security deposits .....	¥ 48,628	¥ 48,515	\$ 426,993
Total liabilities .....	¥ 48,628	¥ 48,515	\$ 426,993

Tenant leasehold and security deposits are not publicly traded, and it is difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits are not certain. Therefore, these financial instruments are not included in the above quantitative information.

(iii) Cash flows schedule of financial assets after the balance sheet date

As of August 31, 2015:	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions)					
Cash and cash equivalents .....	¥ 29,239	¥ -	¥ -	¥ -	¥ -	¥ -
Restricted bank deposits .....	513	-	-	-	-	-
Time deposits .....	1,500	-	-	-	-	-
Total.....	¥ 31,252	¥ -	¥ -	¥ -	¥ -	¥ -
As of February 29, 2016:	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions)					
Cash and cash equivalents .....	¥ 14,466	¥ -	¥ -	¥ -	¥ -	¥ -
Restricted bank deposits .....	513	-	-	-	-	-
Total.....	¥ 14,979	¥ -	¥ -	¥ -	¥ -	¥ -
As of February 29, 2016:	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars (Note 3))					
Cash and cash equivalents .....	\$ 127,319	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted bank deposits .....	4,515	-	-	-	-	-
Total.....	\$ 131,834	\$ -	\$ -	\$ -	\$ -	\$ -

(iv) Cash flows schedule of interest-bearing financial liabilities after the balance sheet date

<i>As of August 31, 2015:</i>		Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
		(in millions)					
Short-term borrowings.....	¥	3,000	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of long-term borrowings.....		33,050	-	-	-	-	-
Current portion of long-term bonds issued.....		10,000	-	-	-	-	-
Current portion of tenant leasehold and security deposits.....		1,548	-	-	-	-	-
Long-term borrowings.....		-	18,300	45,666	49,000	45,500	138,075
Long-term bonds issued.....		-	15,000	-	-	-	22,500
Tenant leasehold and security deposits.....		-	1,531	1,447	1,447	1,231	2,819
Total.....	¥	47,598	¥ 34,831	¥ 47,113	¥ 50,447	¥ 46,731	¥ 163,394
<i>As of February 29, 2016:</i>		Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
		(in millions)					
Short-term borrowings.....	¥	1,000	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of long-term borrowings.....		22,450	-	-	-	-	-
Current portion of tenant leasehold and security deposits.....		752	-	-	-	-	-
Long-term borrowings.....		-	24,300	43,766	49,500	44,575	126,500
Long-term bonds issued.....		-	15,000	-	-	-	22,500
Tenant leasehold and security deposits.....		-	668	668	615	540	540
Total.....	¥	24,202	¥ 39,968	¥ 44,434	¥ 50,115	¥ 45,115	¥ 149,540
<i>As of February 29, 2016:</i>		Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
		(in thousands of U.S. dollars (Note 3))					
Short-term borrowings.....	\$	8,801	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term borrowings.....		197,588	-	-	-	-	-
Current portion of tenant leasehold and security deposits.....		6,618	-	-	-	-	-
Long-term borrowings.....		-	213,870	385,196	435,662	392,316	1,113,360
Long-term bonds issued.....		-	132,019	-	-	-	198,028
Tenant leasehold and security deposits.....		-	5,879	5,879	5,412	4,752	4,752
Total.....	\$	213,008	\$ 351,769	\$ 391,075	\$ 441,075	\$ 397,069	\$ 1,316,141

## Note 19 — Derivatives

Information on derivative transactions undertaken by the Company as of August 31, 2015 and February 29, 2016 is as follows. Derivative instruments are used for hedging purposes only and are subject to hedge accounting.

*As of August 31, 2015:*

As of August 31, 2019					
Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts <sup>(ii)</sup>		Fair value <sup>(iii)</sup>
			Total	Over 1 year (in millions)	
Deferred hedge accounting	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	¥ 143,575	¥ 132,575	¥ (345)
Special treatment for hedge accounting of interest rate swaps <sup>(i)</sup>	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	108,500	108,500	(1,698)
Total.....			¥ 252,075	¥ 241,075	¥ (2,043)

*As of February 29, 2016:*

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts <sup>(ii)</sup>			Notional amounts <sup>(ii)</sup>		
			Total	Over 1 year	Fair value <sup>(iii)</sup>	Total	Over 1 year	Fair value <sup>(iii)</sup>
			(in millions)			(in thousands of U.S. dollars (Note 3))		
Deferred hedge accounting	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	¥ 132,575	¥ 127,075	¥ (1,839)	\$ 1,166,828	\$ 1,118,421	\$ (16,185)
Special treatment for hedge accounting of interest rate swaps <sup>(i)</sup>	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	118,500	118,500	(4,228)	1,042,950	1,042,950	(37,211)
Total.....			¥ 251,075	¥ 240,575	¥ (6,067)	\$ 2,209,778	\$ 2,117,364	\$ (53,397)

Notes:

- The interest rate swaps for which the Company applies the special treatment provided under the Accounting Standard Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008, are not required to be separately recorded in the Company's balance sheets.
- The notional amounts relating to derivatives do not, by themselves, represent the market risk exposure associated with the derivative transactions.
- The fair value is determined at the amount with reference to the calculation performed by the counterparty to the interest rate swaps contracts, based on the prevailing market interest rates and other assumptions.
- The above table as of February 29, 2016 does not include the interest rate swaps contracts of ¥7,000 million (US\$61,608 thousand) in notional amounts entered into on February 26, 2016 which are designated as hedging instruments for specific long-term borrowings funded on March 1, 2016 and subject to the special treatment provided under Japanese GAAP for the interest rate swaps.

## Note 20 — Asset Retirement Obligations

The Company has an obligation under a fixed-term leasehold agreement to restore its leased land, which represents a portion of the land where DFS T GALLERIA OKINAWA, owned by the Company, is located upon the termination of the agreement, and contractual or legal obligations to remove asbestos contained in the buildings of KAWASAKI Le FRONT. The estimated period of use of the properties are estimated at 9 years for DFS T GALLERIA OKINAWA based on the lease period per the agreement, and 24 years for KAWASAKI Le FRONT based on the useful life of buildings containing asbestos. The asset retirement obligations for the restoration or removal of asbestos are recognized as a liability using discount rates at 0.458% and 1.584%, respectively.

Movements of asset retirement obligations for the six months ended August 31, 2015 and February 29, 2016 are as follows:

	For the six months ended		
	August 31, 2015	February 29, 2016	February 29, 2016
	(in millions)		(in thousands of U.S. dollars (Note 3))
Balance at the beginning of the period.....	¥ 473	¥ 476	\$ 4,189
Adjustment for passage of time.....	3	3	26
Balance at the end of the period.....	¥ 476	¥ 479	\$ 4,215

## Note 21 — Related-Party Transactions

For the six months ended August 31, 2015 and February 29, 2016, there were no applicable transactions with related parties defined under the Financial Instruments and Exchanges Act.

Transactions with related parties defined under the Investment Trust Law<sup>(i)</sup> are as below.

### (a) Real Estate Acquisition

The Company acquired certain properties from GK EDN1910 for ¥5,640 million for the six months ended August 31, 2015 and Kamiotai SC2 LLC, Chayamachi 1522 LLC and Mitsubishi Corporation Urban Development, Inc. for ¥11,740 million (US\$103,326 thousand), ¥9,483 million (US\$83,462 thousand) and ¥3,650 million (US\$32,124 thousand) for the six months ended February 29, 2016, respectively.

### (b) Fees Paid to the Asset Manager

Fees paid to the asset manager, Mitsubishi Corp.-UBS Realty Inc., are comprised of asset management fees and acquisition fees. Asset management fees in the aggregate amount of ¥2,545 million and ¥2,502 million (US\$22,020 thousand) were paid by the Company for the six months ended August 31, 2015 and February 29, 2016, respectively. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥71 million and ¥494 million (US\$4,347 thousand) were paid by the Company for the six months ended August 31, 2015 and February 29, 2016, respectively. The fees are calculated at 0.8% of the purchase price of the property acquired. Such acquisition fees are capitalized as part of the acquisition cost of the properties.

### (c) Transactions with the Custodian and General Administrator

Fees paid to the custodian and general administrator, Mitsubishi UFJ Trust and Banking Corporation, were ¥124 million and ¥123 million (US\$1,082 thousand) for general administration fees, and ¥47 million and ¥48 million (US\$422 thousand) for custodian fees for the six months ended August 31, 2015 and February 29, 2016, respectively.

In addition, the Company obtained long-term borrowings of ¥1,850 million and ¥3,196 million (US\$28,128 thousand) from Mitsubishi UFJ Trust and Banking Corporation for the six months ended August 31, 2015 and February 29, 2016, respectively. The Company repaid ¥7,403 million (US\$65,155 thousand) of long-term borrowings for the six months ended February 29, 2016.

The ending balances of accrued general administration fees, accounts payable for custodian fees and long-term borrowings as of February 29, 2016 were ¥42 million (US\$369 thousand), ¥7 million (US\$61 thousand) and ¥48,726 million (US\$428,850 thousand), respectively.

#### Notes:

- (i) Under the Investment Trust Law, the definition of a "related party" includes the asset management company and its interested parties (parent and subsidiary corporations, specified individual shareholders, and major shareholders of the asset management company defined as interested parties under Article 201 of the Investment Trust Law and Article 123 of the Order for Enforcement of the Investment Trust Law), as well as the asset custody company, in addition to controlling unitholders, major unitholders, subsidiary corporations, subsidiary companies of controlling unitholders, and officers and their close relatives.

## Note 22 — Per Unit Information

The following table shows the net asset value per unit as of August 31, 2015 and February 29, 2016 and net income per unit for the six months then ended.

Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six months period. The Company has no dilutive potential units.

	As of / For the six months ended		
	August 31, 2015	February 29, 2016	February 29, 2016
	(Yen)		(US\$ (Note 3))
The net asset value per unit.....	¥ 161,122	¥ 162,489	\$ 1,430
Net income per unit.....	¥ 4,415	¥ 4,285	\$ 37
Weighted average number of units.....	2,430,198	2,546,450	

## Note 23 — Segment Information

Segment information for the six months ended August 31, 2015 and February 29, 2016 is as follows:

### (a) Operating Segment Information

Disclosure is omitted as the Company is comprised of a single reportable segment engaged in the property rental business.

### (b) Enterprise-wide Disclosures

#### (i) Information about Products and Services

Disclosure is not required as revenues from external customers for the single segment is in excess of 90% of total revenues.

#### (ii) Information about Geographic Areas

##### Revenues from Overseas Customers:

Disclosure is not required as revenues from external customers attributed to Japan are in excess of 90% of total revenues.

##### Tangible Fixed Assets:

Disclosure is not required as tangible fixed assets located in Japan are in excess of 90% of total tangible fixed assets.

### (c) Information about Major Customers

Name of Customer	Revenues for the six months ended			Related Segment
	August 31, 2015	February 29, 2016	February 29, 2016	
	(in millions)		(in thousands of U.S. dollars (Note 3))	
AEON Retail Co., Ltd. ....	¥ 4,990	¥ 3,840	\$ 33,796	Property rental business
AEON Mall Co., Ltd. ....	3,836	3,835	33,752	Property rental business