



Japan Retail Fund Investment Corporation

Newly acquired property
G-Bldg. Ginza Chuo-dori 01

JAPAN RETAIL FUND

February 2016 (28th)

Period Results

US ADR(OTC): JNRFY

Security Code

8953



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JAPAN RETAIL FUND



mozo wonder city

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

Improvement of unit holders value in the medium-term

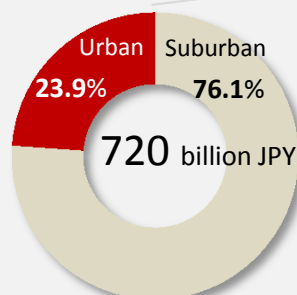
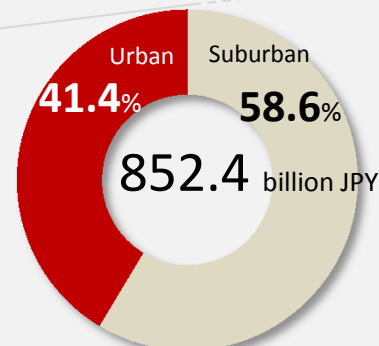
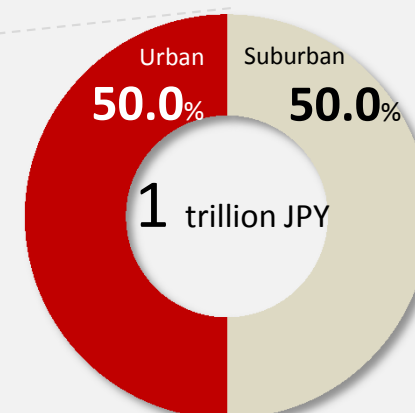
■ Medium-term portfolio target and DPU

Asset size and urban/suburban ratio ^(Note1)

- ✓ Shifting to urban type properties with excellent quality with less risk of vacancy loss backed by robust tenant demand
- ✓ Portfolio quality improvement through tenant diversification

Distributions per unit

- ✓ Portfolio management and optimization strategies to improve both profitability and stability for long-term unitholders value

Feb. 2013 period (22nd)Feb. 2016 period (28th)
 Medium-term portfolio target ^(Note2)


3,868 yen



4,200 yen

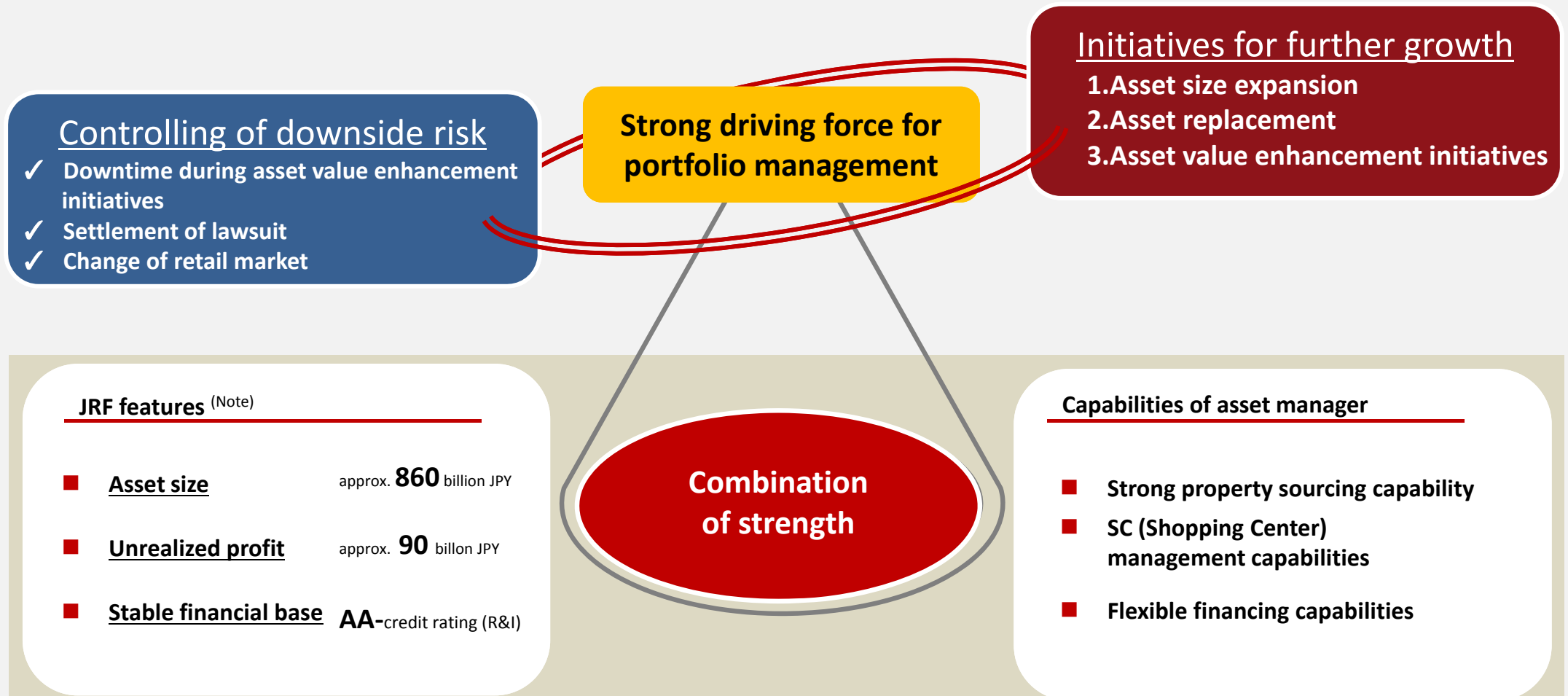
4,500 yen ^(Note2)

(Note1) Assets size is based on acquisition price, urban / suburban ratio is based on appraisal value.

(Note2) Medium-term portfolio target and DPU is without any assurance or warranties.

Drive active portfolio management by combining our strength

- Achieve effective portfolio management utilizing strength of JRF and MCUBS



(Note) As of the end of Mar. 2016

JAPAN RETAIL FUND



Newly acquired property
G-Bldg. Kichijoji 02

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

Steadily executing initiatives aimed at growing unitholder value in the medium to long-term

Initiatives for further growth and recent actions

External growth strategy

Asset size expansion

Newly acquired properties by capital raising through public offering



G-Bldg. Minami Aoyama 01 (Bldg. B)

Number of properties	Total acquisition price	Average NOI yield (after depreciation)
(Note 1) 8	42.1 billion JPY	3.9%

External growth strategy

Asset replacements

Disposition of 5 suburban GMS properties



AEON Omiya

Strategically allocated the three periods of gain on sale to offset the temporary expenses related to renewals and decline in rental revenue due to the sale and retained part of the sales proceeds as reserve for dividend. (Note 2)

Number of properties	Total disposition Price	Average NOI yield (after depreciation)
5	68.5 billion JPY	3.3%

Acquisition of 5 urban properties



G-Bldg. Kyoto Kawaramachi 01



G-Bldg. Ginza Chuo-dori 01

Number of properties	Acquisition price	Average NOI yield (after depreciation)
5	37.9 billion JPY	3.3%

Disposition

Asset Replacement

Acquisition

Estimated gain approx. **2.9 billion JPY**

Internal growth strategy

Asset value enhancement initiatives

Action plans for improving facility competitiveness

Completed project : 1

Ongoing projects : 5

Total investment:

(Note 3)
approx. **11.1 billion JPY**

Settlement of lawsuit
<Kawaramachi OPA >

Properly managed and settled the lawsuit without affecting the projected PL.

(Note 4)
Monthly rent increased by **2%**

Settlement money payment of **283 million JPY** (Note 5)

(Note 1) G-Bldg. Ueno 01, which was acquired on Jul. 28, 2015, is included in (1) number of properties, (2) total acquisition price and (3) average NOI yield (after depreciation)

(Note 2) 193 million yen, which was a part of gain on sale, was accounted as reserve for dividend in the fiscal period ended Feb. 2016

(Note 3) Total investment is expected total expenditure of following renewal projects: one completed project at mozo wondercity and five projects currently taking place at G-bldg. Jiyugaoka 01 (Bldg. B), BicCamera Tachikawa, Nara Family, Ito-Yokado Yotsukaido and Kamishin plaza.

(Note 4) Monthly rent increased by 2% after Mar. 1, 2016.

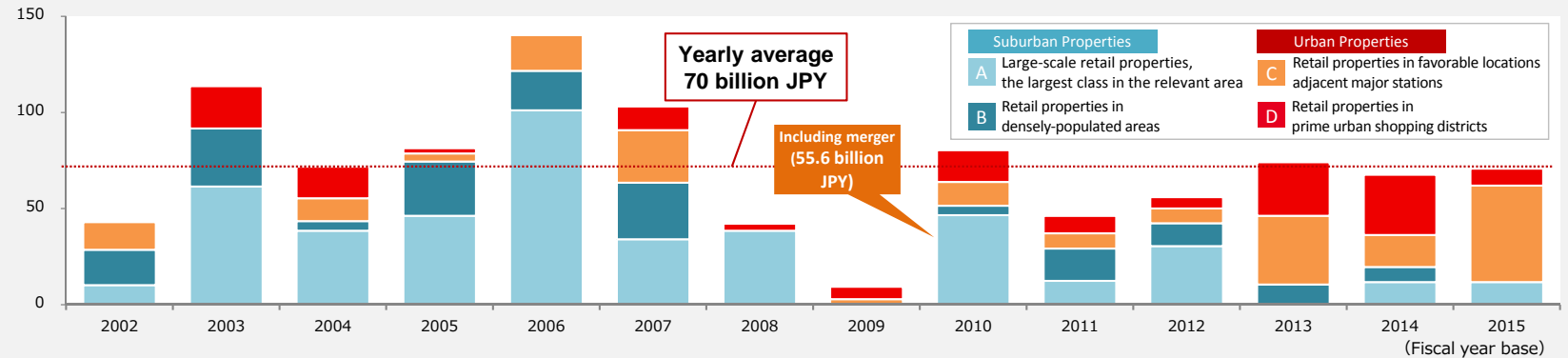
(Note 5) JRF paid the settlement money of 283 million yen. Considering the allowance of 42 million yen, which we have reserved based on the lease contract, extraordinary loss of 242 million yen was booked in the fiscal period ended Feb. 2016.

Increased profitability and stability based on consecutive acquisition

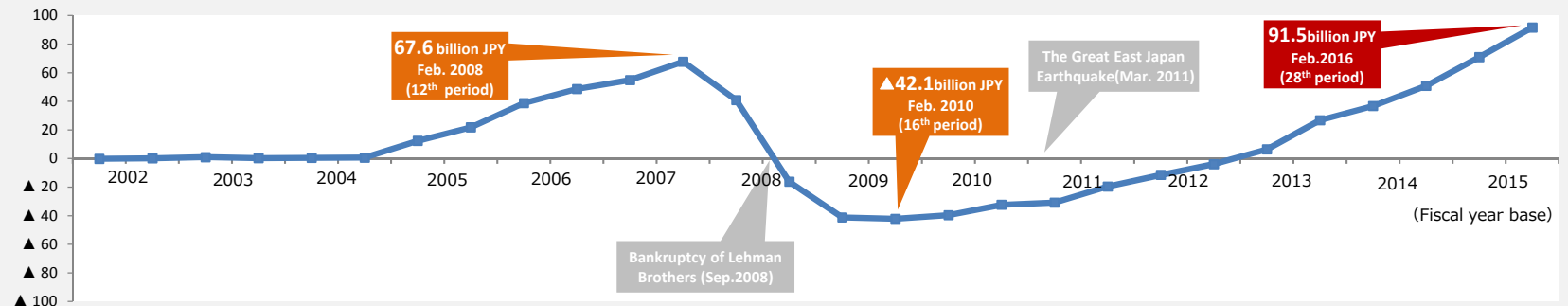
■ Since IPO

Acquisition track record
by asset category (billion JPY)

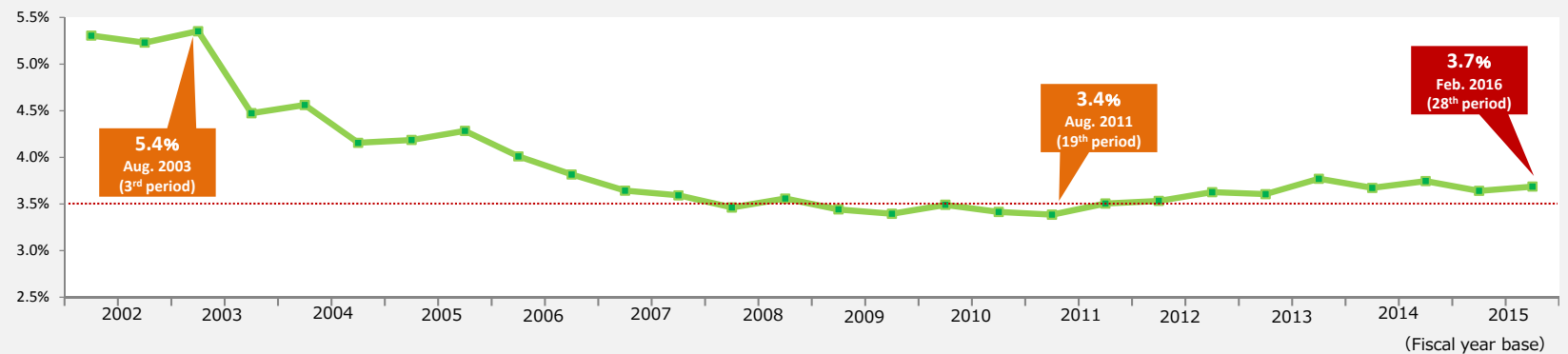
(Note)
Fiscal year based on JRF's fiscal year end (March to February).
Excludes property extension and non-core assets.

Unrealized profits and losses
(billion JPY)

(Note)
Fiscal year end appraisal value - book value.
Excludes non-core assets.

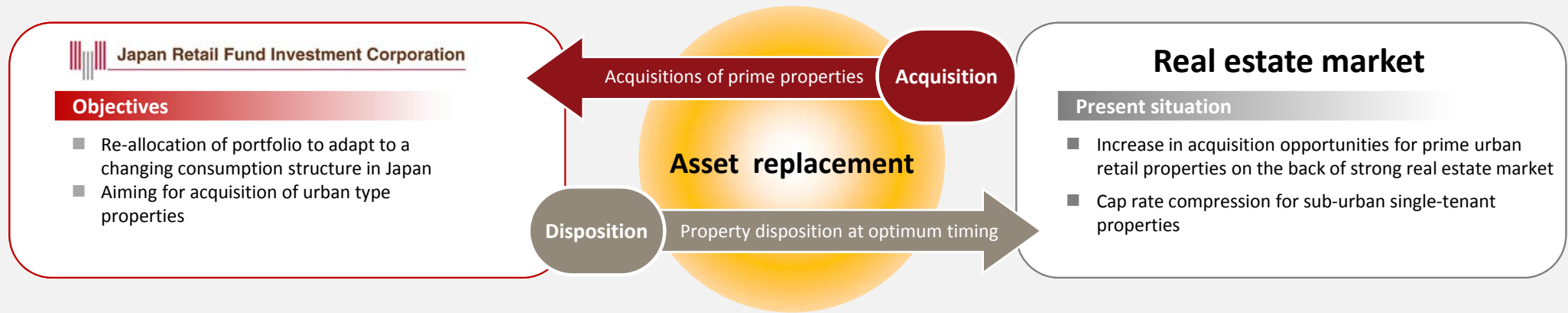
Track record for portfolio
NOI yield (after depreciation)

(Note) (NOI after depreciation) / (Acquisition price)

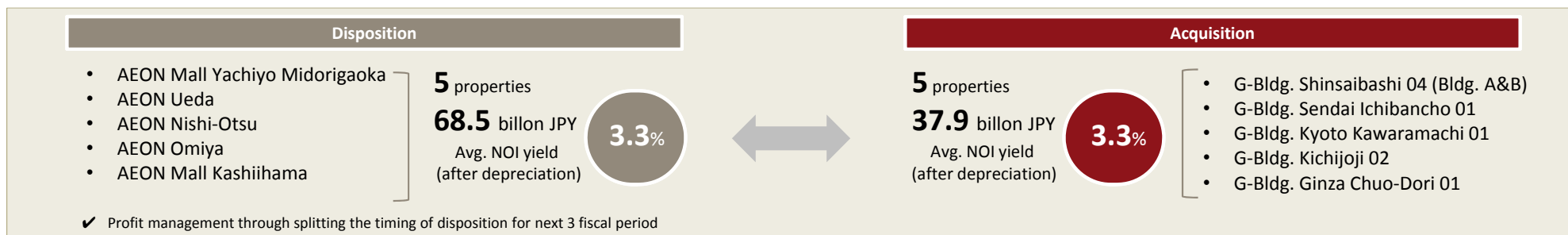


Asset replacement for the purpose of improving portfolio quality

■ Concept of asset replacement



Latest asset replacement Oct. 2015~ (After FP ended Feb. 2016)



Aeon mall Kashiihama



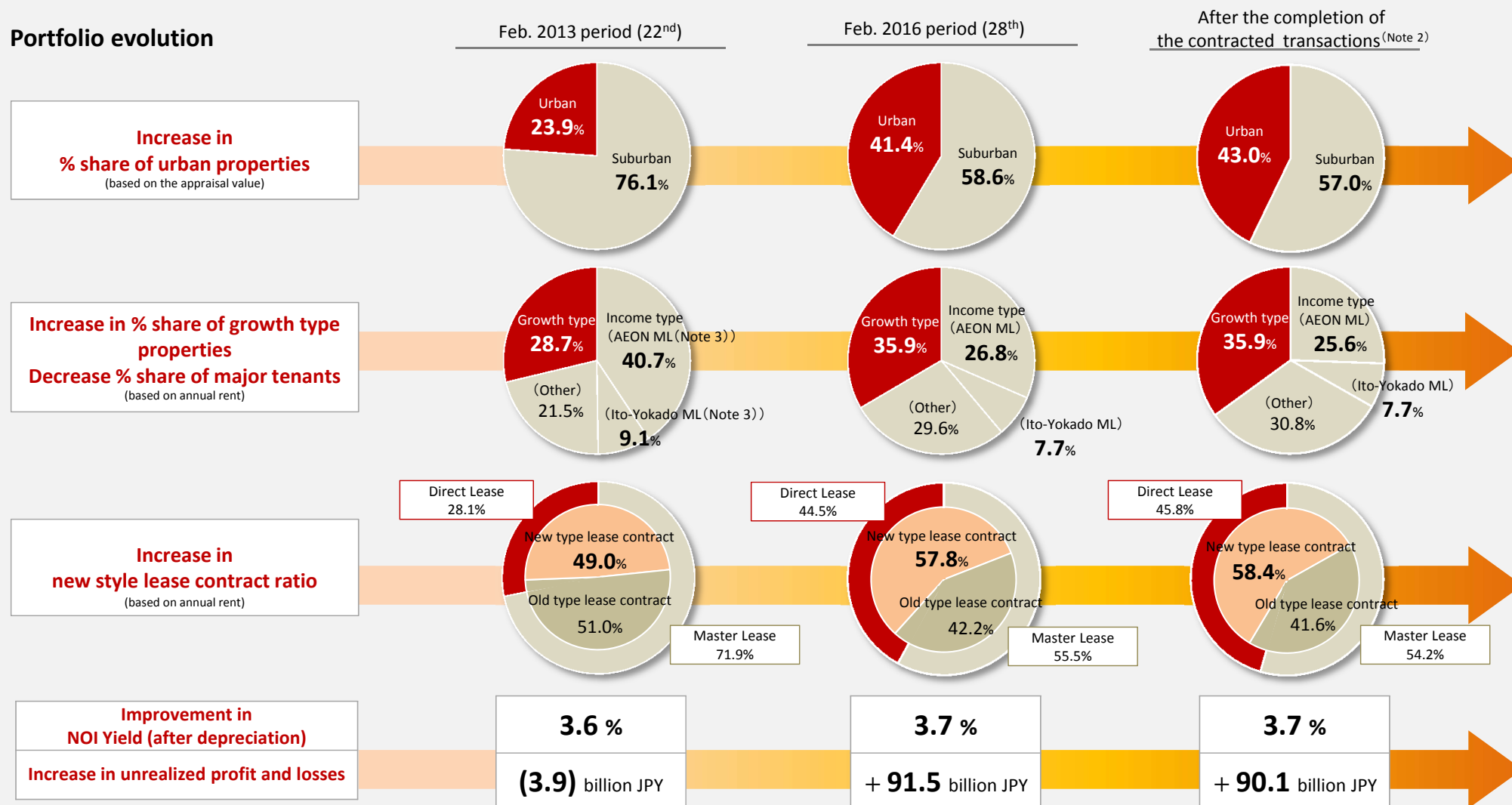
G-Bldg. Sendai Ichibancho 01



G-Bldg. Kichijoji 02

Portfolio metrics constantly improving through our persistent efforts

Portfolio evolution



(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 Aug. 31, 2016 and Sep. 30, 2016) and including G-Bldg. Kyoto Kawaramachi 01 (acquired on Mar. 18, 2016), G-Bldg. Shinsaibashi 04 (Bldg. B) (acquired on Mar. 31, 2016), G-Bldg. Ginza Chuo-dori 01 (27.5% acquired on Mar. 1, 2016 and 22.5% to be acquired on Apr. 28, 2016) and G-Bldg. Sendai Ichibancho 01 (to be acquired on Sep. 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.

External growth strategy (1)

Selectively acquired prime properties mainly in urban area using our abundant deal sources

■ Newly acquired properties after Sep. 2015 (13 properties, JPY 79.2 billion) ^(Note)

Additional closing

DFS T Galleria
(A part of land with
leasehold interest)



PO in 2015 (Excluded G-bldg. Ueno 01 closed in Jul 2015)

7 properties 38.8 billion JPY

Suburban



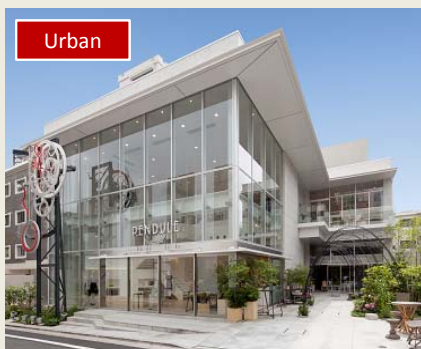
mozo wonder city (20% co-ownership interest)

Urban



G-Bldg. Umeda 01

Urban



G-Bldg. Minami Aoyama 01 (Bldg. B)

Urban



G-Bldg. Abeno 01

Urban



Takadanobaba
(Land with leasehold interest)
(60% co-ownership interest)

Urban



G-Bldg.
Akihabara 01

Urban



G-Bldg.
Akihabara 02

Asset replacement

5 properties 37.9 billion JPY

Urban



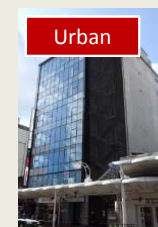
G-Bldg. Ginza Chuo-dori 01
(50% co-ownership interest)

Urban



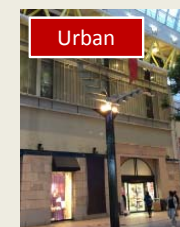
G-Bldg. Kichijoji 02

Urban



G-Bldg. Kyoto
Kawaramachi 01

Urban



G-Bldg. Sendai
Ichibancho 01

Urban



G-Bldg. Shinsaibashi 04
(Bldg. A&B)

(Note) This figure includes G-Bldg. Ginza Chuo-dori 01 (22.5%) and G-Bldg. Sendai Ichibancho01 (Building with leasehold interest) to be closed on Apr. 28, 2016 and on Sep. 30, 2016 respectively in addition to the properties as of Apr. 15, 2016

- ### Omotesando/ Harajuku / Aoyama area (14 properties)



External growth strategy (3)

Acquired properties with high rarity facing main street in prime retail locations

■ JRF's portfolio – Ginza in Tokyo / Kawaramachi in Kyoto / Shinsaibashi in Osaka

Ginza area (3 properties)



G-Bldg. Ginza 01



Cheers Ginza



G-Bldg. Ginza Chuo-dori 01

Shinsaibashi area (5 properties)



G-Bldg. Shinsaibashi 03



8953 Osaka Shinsaibashi Bldg.



G-Bldg. Shinsaibashi 01



G-Bldg. Shinsaibashi 02



G-Bldg. Shinsaibashi 04



Kyoto Kawaramachi area (3 properties)



Round1 Kyoto Kawaramachi



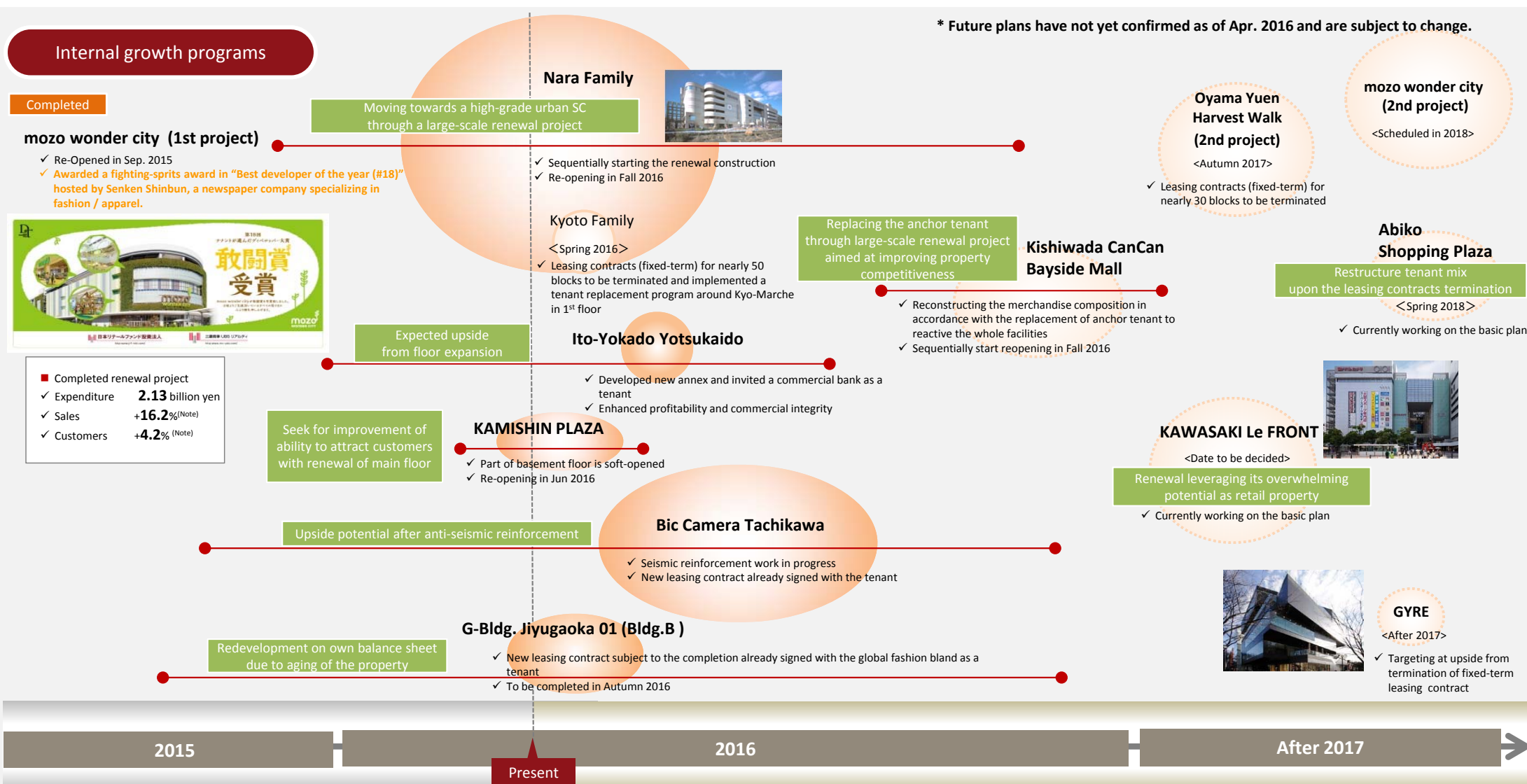
Kawaramachi OPA



G-Bldg. Kyoto Kawaramachi 01

Internal growth strategy (1)

Implement internal growth strategy by leveraging our SC management capability






(Note) These figures are calculated based on the actual figures between Sep.18, 2015 to Mar.17, 2016 compared to the same period of previous year.

Internal growth strategy (2)

Implement internal growth strategies to enhance property competitiveness and profitability

■ Completed **2** properties, Ongoing plans **5** properties, estimated total expenditure approx. **12.5** billion JPY

Status	Property		Objective	(Estimated) Expenditure ^(Note 1)	(Estimated) NOI increase ^(Note 2) / Investment amount
Completed	Oyama Yuen Harvest Walk (1st project)		Successfully improved competitiveness as retail property and achieved profitability improvement	1.32 billion JPY	10.7%
	mozo wonder city (1st project)		A large-scale renewal project to establish a stronger market position	2.13 billion JPY	10.9%
Ongoing plans	G-Bldg. Jiyugaoka 01 (Bldg. B)	 	Redevelopment on own balance sheet due to aging of the property	589 million JPY	6.4%
	Big Camera Tachikawa	 	Upside potential after anti-seismic reinforcement	2.92 billion JPY	15.3%
	Nara Family	 	Moving towards a high-grade urban SC through a large-scale renewal project	5.1 billion JPY	8.2% ^(Note 3) 4.2%
	Ito-Yokado Yotsukaido		Build the Extension on a part of the premise returned by the master lease tenant	154 million JPY	10.4%
	KAMISHIN PLAZA	 	Seek for improved attractiveness for customers through floor renewal	299 million yen	15.5%

(Note 1) Approximate estimate amount is used for the projects when total investment amount for the project is not fixed.

(Note 2) NOI increase = (NOI after renewal project) – (NOI before renewal project). For NOI after renewal project, actual result is used if the property is operating at normalized base otherwise annual NOI estimate is used.

(note 3) Calculation based on the estimated NOI increase that made from difference between an estimated annual NOI for FY2017 after renewal project (normalized base) and an estimated annual NOI for FY2017 without renewal project.

Action plans by leveraging our SC management capabilities

1 Ito-Yokado Yotsukaido

■ Effect on renewal project (Note 1)

Enhanced profitability and competitiveness of the property through the development of the annex in the parking lots

Estimated Total Expenditure (A)	154 million JPY
Estimated Increase in NOI (B)	16 million JPY/year
(B) / (A)	10.4 %

Current property



Annex (Note 2)



- ✓ JRF had initiated the development project for the 3 story annex in the parking lot area since the master leased tenant, Ito-Yokado, had partly canceled the lease contract and returned the area.
- ✓ Contracted with K.K. Chiba Kogyo Bank that operates mainly in Chiba prefecture as a new tenant for the annex
- ✓ Achieved enhanced commercial integration and profitability through enhanced customer traffic between the original store and the annex

<Current plan>

	Key milestone
Nov. 2015	Executed the leasing contract subject to the completion with K.K. Chiba Kogyo Bank
Dec. 2015 to Jul. 2016	Construction period
Jul. 2016	Completion and the leasing contract will be executed
Aug. 2016	Opening

2 KAIMISHIN PLAZA

■ Effect on renewal project (Note 1)

Replaced the supermarket as the anchor tenant and replaced specialty stores in basement floor to improve the competitiveness of the store

Estimated Total Expenditure (A)	299 million JPY
Estimated Increase in NOI (B)	46 million JPY/year
(B) / (A)	15.5 %

After (Note 2)

Before



- ✓ Main floor and common area is refurbished; Replacing the anchor tenant of supermarket in the basement floor to Heiwado considering the characteristics of its trade are and replacing the tenants in the same floor
- ✓ Exterior signboard is updated
- ✓ Established stable revenue base in long term through the strengthened competitiveness of the retail property

<Current plan>

	Key milestone
Mar. 5, 2016	Bookstore had been opened
Apr. 15, 2016	Food court and pharmacy in basement floor had been opened
Jun. 2016	Heiwado is to start its operation as Heiwado Friend mart Kamishin plaza (provision)

Implemented sequential opening methodology to minimize the loss of revenue and customer traffic

(Note 1) Please refer to the press release on Nov. 11, 2015 for Ito-Yokado Yotsukaido and Jan. 13, 2016 for Kamishin Plaza respectively for the key assumptions for the projects.

(Note 2) These are indicative renderings and may differ from the actual development.

Achieved rent increase by leveraging our SC management capabilities

Urban properties subject to lease renewal (fixed term) due to lease termination through Sep. 2015 and Feb. 2017

Rent increased in **10**, stayed same in **16**, and reduced in **3** out of the signed **29** blocks ^(Note 1)

Examples of rent increase

G-Bldg. Ginza 01



Agreed on upward rent revision with existing tenants at expiry of lease contract

- Located in Ginza, a central commercial place, especially for luxurious brand
- Agreed on upward rent revision with the existing tenants, following careful selection among various potential tenants

	Floor area	(Note 4) Rent growth
(Note 2) Total of the asset	487 ^(Note 3) tsubo	+21.3%

G-Bldg. Omotesando 02



Example of rent increase in Omotesando where the overseas luxurious brand are concentrated

- Located in Omotesando where the retailers gets benefit from increased inbound demand
- Agreed on upward rent revision with the existing tenants, following careful selection among various potential tenants

	Floor area	(Note 4) Rent growth
Expiration of lease contract (1 tenant)	52 tsubo	+21.4%

Blocks at expiry of fixed term lease contract (urban properties)

Aim to improve profitability and stability by strengthening property competitiveness using SC management capabilities

	Aug. 2016 period (29 th)	Feb. 2017 period (30 th)
Properties subject to lease renewal	7 properties	11 properties
Major properties	<ul style="list-style-type: none"> • KAWASAKI Le FRONT • G-Bldg. Umeda 01 etc. 	<ul style="list-style-type: none"> • KAWASAKI Le FRONT • G-Bldg. Shinsaibashi 02 • G-Bldg. Minami-Ikebukuro 01 etc.
# of blocks subject to lease renewal (# of signed lease contract)	18 blocks (7 blocks)	30 blocks (0 blocks)
Area subject to lease renewal	approx. 1,300 tsubo	approx. 3,400 tsubo
% share of annual portfolio revenue	0.7%	1.6%

(Note 1) Figures are based on lease contracts signed as of Apr. 5, 2016, excluding certain blocks whose rent level cannot be compared before and after lease renewal.

(Note 2) Figures represent the total of all relevant assets given limited disclose agreements obtained from the tenants.

(Note 3) 1 tsubo is approximately 3.3 m²

(Note 4) Rent growth is a comparison of rental conditions before and after tenant replacement (a total of monthly rent and common area charges).

Proactive risk management for portfolio stabilization

1 Settlement of the lawsuit with increased rent for future

Kawaramachi OPA

**Settlement of lawsuit with OPA
without affecting the DPU forecast while deriving upward revision of the rent**

Reason for the reconciliation

- ✓ Elimination of the risk through stable contract with the tenant
- ✓ Secured the flexibility of the asset management for urban type around Kyoto Kawaramachi area

Impact to P/L for this fiscal period

- ✓ Extraordinary loss of 242 million yen was offset with gain on sale of the properties of 5 AEON properties ^(Note)
- ✓ Monthly rent after Mar 1, 2016 is increased by +2% without revision for next 3 years

Next steps

- Renewal project is currently on-going in an initiative of its tenant, which includes the dynamic reconstruction of merchandise composition and investment commitment by the tenant; re-opening sequentially once completed.
- Attract more customers cooperating with the tenants

(Note) JRF paid the settlement money of 283 million yen. Considering the allowance of 42 million yen, which we have reserved based on the lease contract, extraordinary loss of 241 million yen was booked.

2 Response to the turning tide in retail business

Responses to the headwind to GMS type retailers

Risk control with closed monitoring of their revenues

- AEON
 - ✓ Completed the disposition of particularly high risk-bearing assets in Fall 2015.
- Ito-Yokado
 - ✓ No offer of the termination has been received for our properties after the announcement IY to close 40 stores.
- Izumiya
 - ✓ Contract has been terminated in Apr 2016 at Kishiwada Can Can Bayside mall in East annex and its GMS spaces is subject to leasing activity.
- SEIYU
 - ✓ Seiyu Hibarigaoka: JRF has renewed its old-style contract with SEIYU with reduced rent strategically so that JRF can motivate the tenant to have the refurbishment investment in their initiative for this master-leased property.

Next steps

- Strategically implements revitalization in cooperation with our anchor tenants
- Consider the asset replacement as an option for the risk management

JAPAN RETAIL FUND



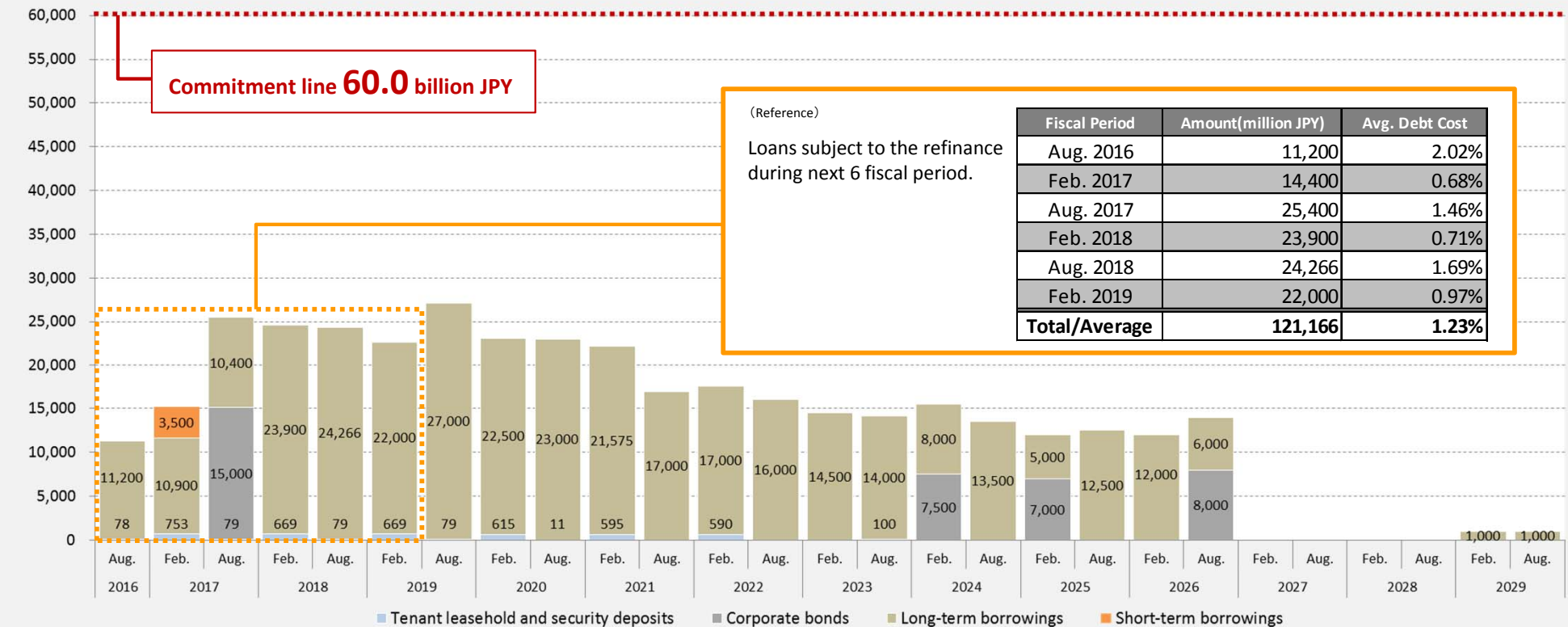
Awarded 3 stars in DBJ Green Building Certification program
Kyoto Family

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Diversification of maturity dates and leveling of repayment amount

■ Maturity ladder (as of the end of Mar. 2016)

(million JPY)



Persistent efforts for further strengthening financial stability

■ LTV management for stable financial base

- ✓ LTV benchmark: 45% - 55%
- ✓ Further strengthen the stable financial base while carefully focusing on debt cost control
- ✓ Selective acquisitions of prime retail assets such as urban type properties leveraging our acquisition capacity

Financial indices



	Aug. 2014 period (25th)	Feb. 2015 period (26th)	Aug. 2015 period (27th)	Feb. 2016 period (28th)	Aug. 2016 period (Note 1) (29th) (estimate)
Long term borrowings ratio	100.0%	100.0%	99.3%	99.8%	(Reference)
Fixed interest rate ratio	73.7%	92.8%	95.5%	99.8%	Acquisition capacity From LTV 50.5% to 55%
Avg. loan term remaining until maturity	4.7 yrs	4.8yrs	4.7yrs	4.7yrs	87.0 billion JPY
Avg. debt cost	1.40%	1.36%	1.29%	1.31%	

■ Use of negative goodwill and reserve for reduction entry of property for stable distributions

- ✓ Gain on sale of 5 AEON properties will be retained as Reserve for dividend
- ✓ 193 million JPY will be also retained as Reserved for dividend while keeping the DPU of 4,200 yen
- ✓ The above reserves are not taxable as they don't exceed the tax loss carried forward, which is to be carried until Feb. 2020 period (36th).

Policies for the use of negative goodwill
and reserve for reduction entry of property

Maintain stable distributions

- Reserve for dividend (negative goodwill) **3,138** million JPY (Note 2)
 - Reserve for reduction entry of property **502** million JPY (Note 2)
- Total reserve **3,640** million JPY

Reserve per unit: JPY 1,426^(Note 3) (Period over Period + JPY 75)

Specific use of reserve

- Additional tax expense originating from the tax-accounting mismatches
- Temporary expenses related to renewal and reconstruction of existing assets
- Dilution of distributions from issuance of new investment units
- Other temporary expenses

(Note 1) 2nd closing of G-bldg. Ginza Chuo-dori 01 (22.5%) and 2nd and 3rd settlement of disposition AEON Mall Kashiihama is expected at Apr. 28, 2016, the end of Aug. 2016 and the end of Sep. 2016 respectively.

(Note 2) As of Apr. 14, 2016 when the distribution statements in the financial statements of fiscal period ended Feb. 2016 was approved by the JRF's Board of Directors.

JAPAN RETAIL FUND

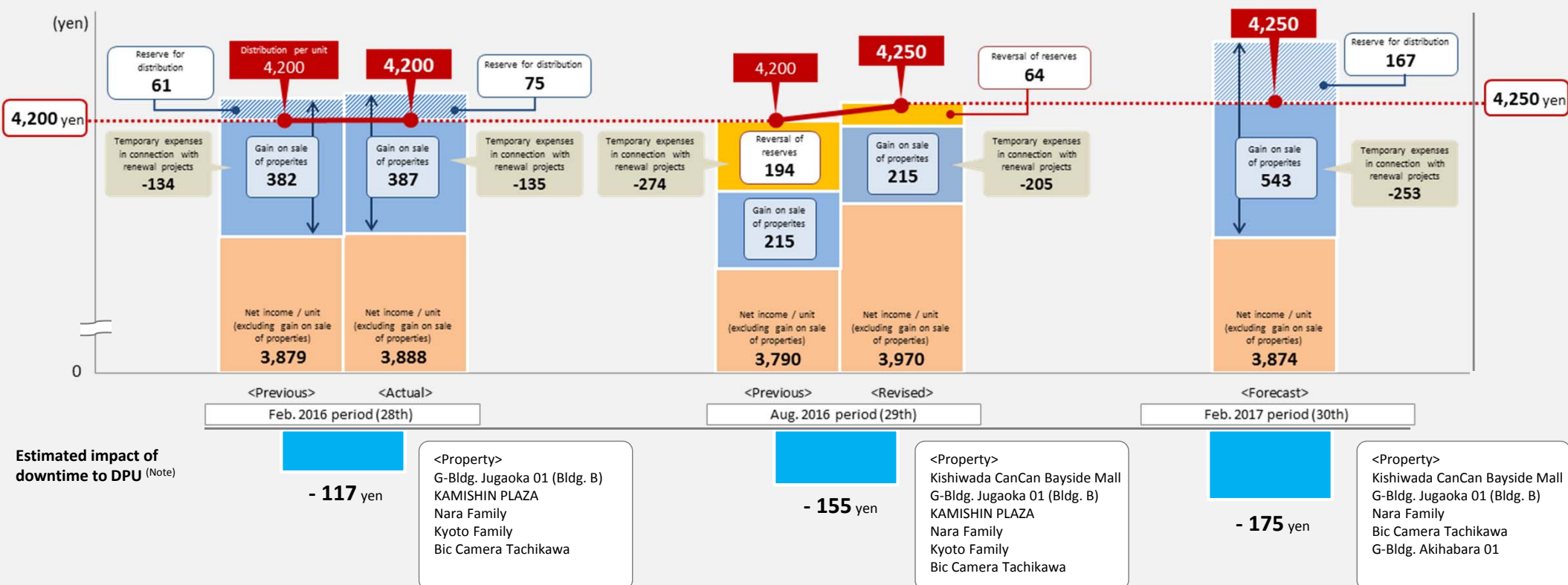


Awarded 4 stars in DBJ Green Building Certification program
Narupark

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- 4. Financial Results and Forecasts**
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Summary of results and forecasts

■ Illustration of the actual and forecasts for distribution per unit



Feb. 2016 period (28th)

Actual **4,200** yen
compared to announced forecast: **No change**

Key points on distributions results

- Payment of settlement money for Kawawamachi OPA
- Actual net income is greater than announced budget (announced on Oct. 15, 2015) post the payment of settlement money mainly due to the increased revenue for the current assets.
- The remaining gain is allocated to reserve for dividends

Aug. 2016 period (29th)

Revised forecast **4,250** yen
compared to previous forecast: **+50** yen

Key points on revision to distribution forecast

- Newly acquired 5 assets started to contribute the revenue
- Increased revenue for current assets
- Reserve will be appropriated to offset the temporary expenses associated with large-scale renewal projects
- DPU Forecast revised upward by +50 yen to 4,250 yen considering the increased revenue

Feb. 2017 period (30th)

Forecast **4,250** yen
Compared to 29th forecast: **No change**

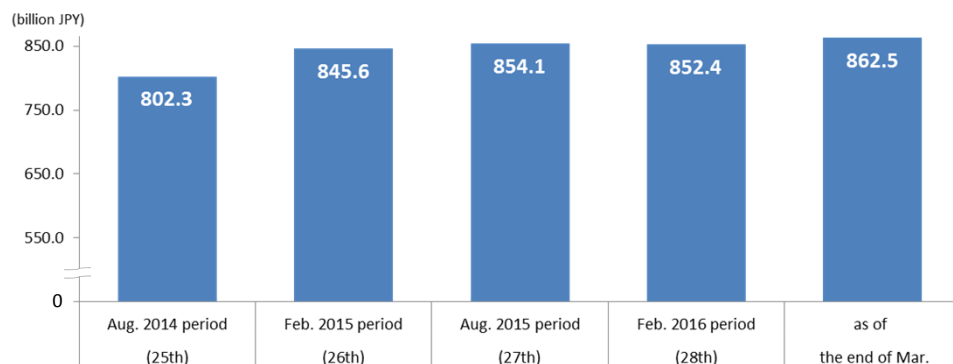
Key points on distribution forecast

- Reported gain on sale of properties
- Newly acquired 5 assets started to contribute the revenue fully.
- Gain on sale of properties appropriated partially to temporary expenses associated with large-scale renewal
- DPU Forecast is 4,250 yen, same as the revised DPU forecast of 29th period

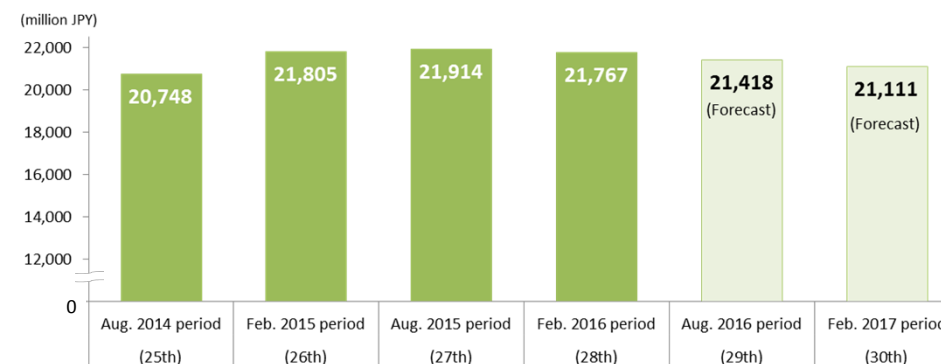
(Note) Estimated impact of downtime is calculated the Estimated increase in net operating income divided by the number of units outstanding as of the end of each fiscal period. The estimated increase in net operating income is calculated by subtracting the sum of the actual net operating income from the forecasted net operating income after the renewal projects on an annualized basis.

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

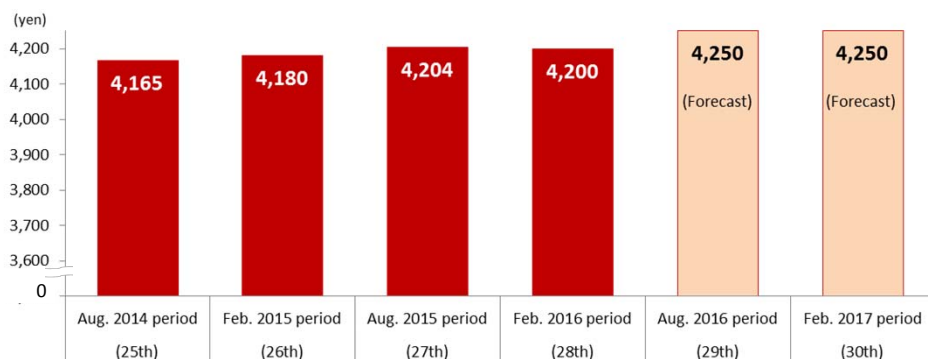
Asset size



Rent NOI (excluding profit of sales)

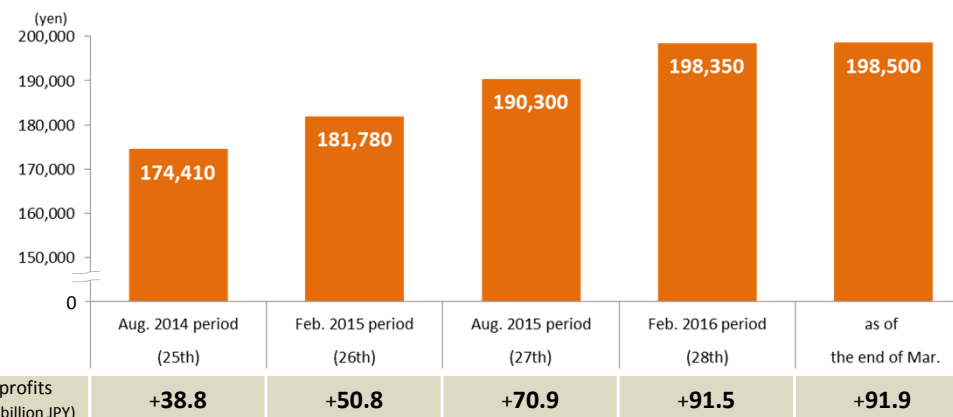


Distributions per unit (Note)



(Note) Distribution per unit (estimate) is calculated as Net income plus appropriated reserves divided by the number of outstanding units as of the end of each fiscal period.

NAV per unit



Unrealized profits and losses (billion JPY)

+38.8 +50.8 +70.9 +91.5 +91.9

Period-end NAV:

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

NAV as of the end of Mar. 2016: (Net asset value as of the end of Feb. 2016 period + unrealized profits and losses of the property in our portfolio, as of the end of Feb. 2016 + unrealized profits and losses of 3 newly acquired properties in Mar. 2016) / the number of units outstanding as of the end of Mar. 2016

February 2016 period (28th) P/L performance

	Aug. 2015 Period (27th) (Actual)	Feb. 2016 Period (28th) (Actual)	Change	28th forecasts at the beginning of the period	Change
Operating revenue	30,962	32,017	+ 1,054	31,905	+ 111
Operating expenses	18,146	18,332	+ 186		
(Rent NOI)	21,914	21,767	- 147	21,363	+ 403
Operating income	12,816	13,684	+ 868	13,428	+ 256
Non-operating revenue	8	9	+0		
Non-operating expenses	2,607	2,539	- 68		
Ordinary income	10,217	11,154	+ 937	10,876	+ 278
Extraordinary loss	—	242	+ 242		
Net income	10,731	10,912	+ 181	10,875	+ 36
Allocation to reserve	514	(Note 1) 193	- 320	157	+ 36
Reversal of reserve	—	—	—	—	—
Total distribution	10,216	10,719	+ 502	10,719	—
Units outstanding	2,430,198 units	2,552,198 units	—	2,552,198 units	—
DPU	4,204 yen	4,200 yen	- 4 yen	4,200 yen	—
FFO per unit (Note2)	6,770 yen	6,293 yen	- 477 yen	6,211 yen	+ 82 yen
FFO pay out ratio	62.1 %	66.7 %	—	67.6 %	—
Capital expenditures	2,312	3,556	+ 1,244	4,019	- 462
Repair expenses	214	346	+ 131	412	- 66
Total	2,527	3,903	+ 1,376	4,431	- 528
Depreciation	6,236	6,138	- 97	5,952	+ 186

(Note 1) Balance of allocation to reserve after approval of distributions at the JRF board directors meeting on Apr. 15, 2016.

(Note 2) (Net income + loss on sales of real estate, etc. – gain on sales of real estate, etc. + depreciation + other real estate related depreciation) / total units outstanding
Net income used in calculation of FFO for the Aug. 2015 period (27th) does not include income taxes.Change in DPU forecast for Feb. 2016 period (28th)Major factors behind change during Feb. 2016 period (28th)
(compared to previous period)

	(million JPY)
Operating revenues	+1,054
✓ Rent of properties acquired through PO in 2015, etc.	+1,282
✓ Rent of 5 AEON properties disposed	- 1,295
✓ Gain on sales of 5 AEON properties	+989
✓ Acquisition of G-Bldg. Shinsaibashi 04 (Bldg. A)	+45
✓ Existing properties (revenue-based rent+362, utility charge received -200, other revenues -131)	+31
Operating expenses	+186
✓ Expense of properties acquired through PO in 2015	+523
✓ Expense of 5 AEON properties disposed	- 442
✓ Acquisition of G-Bldg. Shinsaibashi 04 (Bldg. A) and G-Bldg. Kichijoji 02	+15
✓ Existing properties (repair expenses +130, utility charge -313, PM Fee +41, sales promotion expenses +118, loss on disposal of fixed assets -45, depreciation +75)	+18
✓ Increase on SG&A (asset management fee -41, increase in non-deductible consumption tax, etc. +118)	+71
Operating income	+868
Ordinary income	+937
✓ Extraordinary losses (settlement package for reaching accommodation with tenant)	- 242
✓ Charge in income taxes	- 514
Net income	+181

Major factors behind change during Feb. 2016 period (28th)
(compared to forecasts at the beginning of the period)

	(million JPY)
Operating revenues	+111
✓ Impact due to renewal of mozo wonder city	+99
✓ Renewal downtime of Nara Family	- 66
✓ Decrease in utility charge received	- 62
✓ Increase in penalty charge	+22
✓ Other revenues (Revenues on restoration expenses, sales promotion revenues, insurance received etc.)	+110
Operating expenses	- 144
✓ Impact due to renewal of mozo wonder city	+21
✓ Impact due to renewal of Nara Family	- 35
✓ Decrease in utility charge	- 66
✓ Decrease in repair expenses	- 56
✓ Increase in PM Fee	+18
✓ Decrease in non-deductible consumption tax, etc.	- 25
Operating income	+256
Ordinary income	+278
✓ Extraordinary loss (settlement package for reaching accommodation with tenant)	+242
Net income	+36

February 2016 period (28th) B/S performance

	Aug. 2015 Period (27th) (Actual)	Feb. 2016 Period (28th) (Actual)	Change
Total assets (1)	842,568	829,239	- 13,329
Total liabilities	451,009	414,533	- 36,475
Interest-bearing liability (2)	380,091	349,591	- 30,500
Tenant leasehold and security deposits (3)	59,758	52,833	- 6,925
Net assets	391,559	414,705	+ 23,146
LTV ((2)+(3)) / (1)	52.2 %	48.5 %	- 3.67 points
LTV (2) / (1)	45.1 %	42.2 %	- 2.9 points
Long-term borrowings ratio	99.3 %	99.8 %	+ 0.5 points
Fixed interest rate ratio	95.5 %	99.8 %	+ 4.3 points
Average debt cost	1.29 %	1.31 %	+ 0.0 points
Number of properties	90 properties	94 properties	+ 4 properties
Aggregate acquisition price	854,133	852,414	- 1,718
Unrealized profits and losses	+ 70,911	+ 91,540	+ 20,628
Book value	803,103	807,141	+ 4,038
Appraisal value	874,015	898,682	+ 24,667

<Reference: Balance of reserve>

Balance of reserve	3,446	3,640	+ 193
Reserve for dividends (Negative goodwill)	2,944	3,138	+ 193
Reserve for reduction entry of property	502	502	—

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

	(million JPY)
Total assets	- 13,329
✓ Acquisition of new properties through PO in 2015	+63,945
✓ Disposition of existing properties	- 57,528
✓ Depreciation, loss on disposal of fixed assets	- 6,203
✓ Capital expenditures	+3,556
✓ Decrease in cash and bank deposits	- 16,272
Total liabilities	- 36,475
✓ Decrease in borrowings and corporate bond	- 30,500
✓ Repayment of tenant leasehold and security deposits	- 6,925
✓ Derivatives liabilities	+1,483
Net assets	+23,146
✓ Increase in capital associated with issuance of new units	+23,943

Forecasts for the coming two periods

	Feb. 2016 Period (28th) (Actual)	Aug. 2016 Period (29th) (Forecast)	Change	Feb. 2017 Period (30th) (Forecast)	Change
Operating revenue	32,017	31,574	- 442	32,297	+ 722
(Rent NOI:excluding on sale)	21,767	21,418	- 348	21,111	- 306
Operating income	13,684	13,142	- 542	13,637	+ 495
Ordinary income	11,154	10,683	- 471	11,275	+ 592
Extraordinary loss	242	—	- 242	—	—
Net income	10,912	10,682	- 229	11,275	+ 592
Allocation to reserve	193	—	- 193	428	+ 428
Reversal of reserve (Note 1)	—	163	+ 163	—	Δ 163
Balance of reserve (Note 2)	3,640	3,476	—	3,904	—
Total distribution	10,719	10,846	+ 127	10,846	—
Units outstanding	2,552,198 units	2,552,198 units	—	2,552,198 units	—
DPU	4,200 yen	4,250 yen	+ 50 yen	4,250 yen	—
FFO per unit (Note3)	6,293 yen	6,282 yen	- 11 yen	6,196 yen	- 86 yen
FFO pay out ratio	66.7 %	67.7 %	—	68.6 %	—
Capital expenditures	3,556	4,151	+ 594	8,381	+ 4,229
Repair expenses	346	470	+ 124	609	+ 138
Total	3,903	4,621	+ 718	8,990	+ 4,368
Depreciation	6,138	5,901	- 237	5,928	+ 26

(Note 1) The maximum amount of the reversal of reserve will be following temporary expense in connection with renewal projects.

	Aug. 2016 period (29 th)	Property	Feb. 2017 period (30 th)	Property
Temporary expenses in connection with renewal projects	524 million JPY	Nara Family, Kyoto Family, Kishiwada, Bic Camera Tachikawa	647 million JPY	Nara Family, Kishiwada,
Demolition costs, compensation costs, etc.	342 million JPY		625 million JPY	Bic Camera Tachikawa
Loss on disposals of fixed assets	182 million JPY		22million JPY	G-Bldg. Akihabara 01

(Note 2) Balance of reserve after approval of distributions at the JRF board directors meeting for each period.

(Note 3) (Net income + loss on sales of real estate, etc. - gain on sales of real estate, etc. + depreciation + other real estate related depreciation) / total units outstanding

Major factors behind change during Aug. 2016 period (29th) (Compared to actual results of Feb. 2016 (28th) period)

(million JPY)

Operating revenues	- 442
✓ Contribution, in full, of rent revenue of properties acquired through PO in 2015	+116
✓ Decrease in rent revenue of 5 AEON properties disposed	- 412
✓ Decrease in gain on sale of 5 AEON properties	- 438
✓ Rent of new properties acquired through property replacement, etc.	+559
✓ Existing properties (penalty charge +335, impact due to renewal -599, utility charge received +79, other revenues -94)	- 268
Operating expenses	+100
✓ Contribution, in full, of expenses of properties acquired through PO in 2015	+98
✓ Decrease in expenses of 5 AEON properties disposed	- 293
✓ Expenses of new properties acquired through property replacement	+98
✓ Existing properties (repair expenses +132, utility charge +82, sales promotion expenses -123, loss on disposal of fixed assets +135, depreciation -143, other expenses -155)	+203
Operating income	- 542
✓ Decrease in interest payments	Δ80
Ordinary income	- 471
✓ Absence of extraordinary losses (settlement package for reaching accommodation with tenant)	- 242
Net income	- 229

Major factors behind change during Feb. 2017 period (30th) (Compared to forecast for Aug. 2016 (29th) period)

(million JPY)

Operating revenues	+722
✓ Increase in gain on sales of 5 AEON properties	+837
✓ Decrease in rent of 5 AEON properties disposed	- 294
✓ Contribution, in full, of rent revenue of new properties acquired through property replacement	+159
✓ Existing properties (revenue-based rent +376, utility charge received -74, penalty charge-377, other revenues +101)	+20
Operating expenses	+227
✓ Decrease in expenses of 5 AEON properties disposed	-79
✓ Contribution, in full, of expenses of new properties acquired through property replacement	+20
✓ Existing properties (repair expenses +139, utility charge -95, loss on disposal of fixed assets -150, PM Fee and BM Fee +90, sales promotion expenses +114, depreciation +61, other expenses +96)	+276
Operating income	+495
✓ Decrease in interest payments	—
Ordinary income	+592
Net income	+592

JAPAN RETAIL FUND



Awarded 3 stars in DBJ Green Building Certification program
DFS T GALLERIA OKINAWA

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

Proactively engage in various measures towards sustainability of whole society and environment

Basic policy

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

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

Signatory of:



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



Also, the Asset Manager has become the first J-REIT asset manager to sign Montreal Carbon Pledge^(Note) in September 2015.



(Note) Montreal Carbon Pledge was launched on September 25, 2014 at PRI in Person in Montreal, and is supported by the Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP FI). The Montreal Carbon Pledge commits investors to measure, disclose and reduce their carbon footprints.

DBJ Green Bbuilding Certifications

Awarded DBJ Green Building Certification in 2015 with 3 new properties. mozo wonder city was ranked up to 5stars (2015★★★★★), which is the highest of the five evaluation ranks, from 4stars (2014★★★★), and GYRE was ranked up to 3stars (2015★★★) from 2stars (2014★★)

Certification Rank	Property name
Properties with the best class environmental & social awareness DBJ Green Building 2015	<ul style="list-style-type: none"> • <u>mozo wonder city (Rank Up)</u>
Properties with exceptionally high environmental & social awareness DBJ Green Building 2015	<ul style="list-style-type: none"> • Nara Family • Abiko Shopping Plaza • <u>Narupark (New)</u>
Properties with excellent environmental & social awareness DBJ Green Building 2015	<ul style="list-style-type: none"> • Oyama Yuen Harvest Walk • KAWASAKI Le FRONT • <u>GYRE (Rank Up)</u> • <u>Kyoto Family (New)</u> • <u>DFS T Galleria (New)</u>

“CASBEE for Building” Certifications

Awarded CASBEE for Building certifications in 2 properties in Feb. 2016 in addition to 4 properties in Feb. 2015.

Certification Rank	Property name
Rank S 	<ul style="list-style-type: none"> • AEON Mall Sapporo-Hassam (Note) • AEON Mall Tobata Shopping Center <p>(Note) Awarded Jointly with AEON Hokkaido</p>

GRESB “Green Star”

JRF received “**Green Star**” the highest ranking of the **four categories in the GRESB** (Global Real Estate Sustainability Benchmark) Survey in 2015



Strategies to enhance corporate governance

Improvement in Corporate Governance

Investment Committee (Updated)

- **External specialist as a standing member of the committee**
 - Invited outside real estate appraiser as a standing member of the investment committee

Compliance Committee (Newly established)

- **Compliance Committee was newly established, that includes external lawyer as a standing member of the committee, instead of the Stakeholder Transactions Review Committee.**
 - Formerly, of the transactions subject to examination by the Investment Committee, the Asset Manager has required resolution of the Stakeholder Transactions Review Committee (STRC) for interested party transactions involving both shareholders of the Asset Manager, with the aim of confirming that such transactions will not harm the funds which the Asset Manager manages.
 - To enhance the role of STRC, the Asset Manager has decided to abolish STRC and establish (New) the Compliance Committee, whose standing members include the outside lawyers.

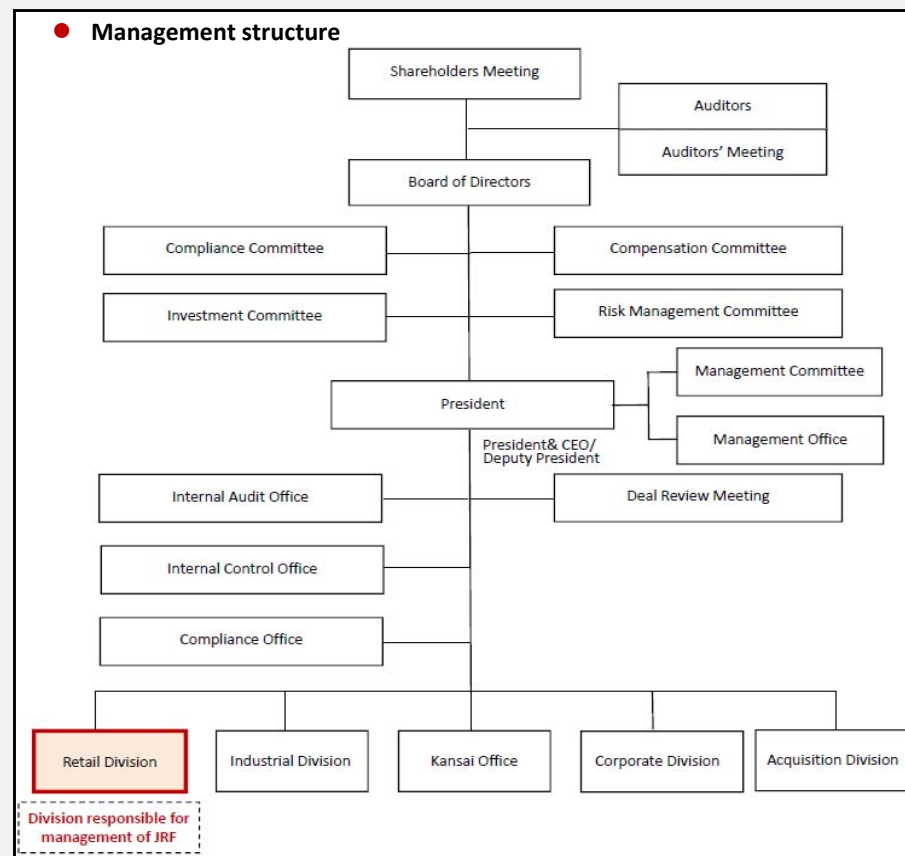
Risk Management Committee (Newly established)

- **Risk management committee was newly established, which takes the role of the risk management from the (former) compliance committee**
 - The role of former compliance committee is now undertaken by the Risk Management Committee.
 - As the Asset Manager, meetings of (Former) the Compliance Committee, comprising the President, Deputy President, Head of Division, Deputy Head of Division, Head of Private Fund Management Department and Head of Compliance Office as standing committee members, had previously been held quarterly in principle, to ascertain and review risks involving matters other than those under control of the Investment Committee on a timely basis to draw up necessary measures and management policies. However, the Internal Control Office was established effective December 1, 2015, with the aim of planning and developing the risk management framework of the Asset Manager from a company-wide standpoint, independent of other divisions, departments and offices, and oversee operations to verify/improve the status of development and operation of such risk management framework. Accordingly, the Asset Manager has decided to abolish (Former) the Compliance Committee and newly establish the Risk Management Committee, which will take on the risk management-related functions which (Former) the Compliance Committee served previously.

Improved internal controls by setting up Internal Control Office in accordance with the growth of the asset management company: MCUBS

- Effective as of Dec. 1, 2015, Internal Control Office was established.
- Management committee was also established as an advisory body for the President.

● Management structure



(Note) As of May .1, 2016.



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