


narafamily
zoro



Period Results

August 2016 (29th)

JAPAN RETAIL FUND

Security Code

8953

US ADR(OTC): JNRFY



Contents

| | |
|---|--------------|
| 1. Medium-term Target and Related Issues | P. 2 |
| 2. Implementation of Growth Strategy | P. 8 |
| 3. Financial Strategy | P. 19 |
| 4. Financial Results and Forecasts | P. 22 |
| 5. Sustainability Management | P. 27 |

JAPAN RETAIL FUND



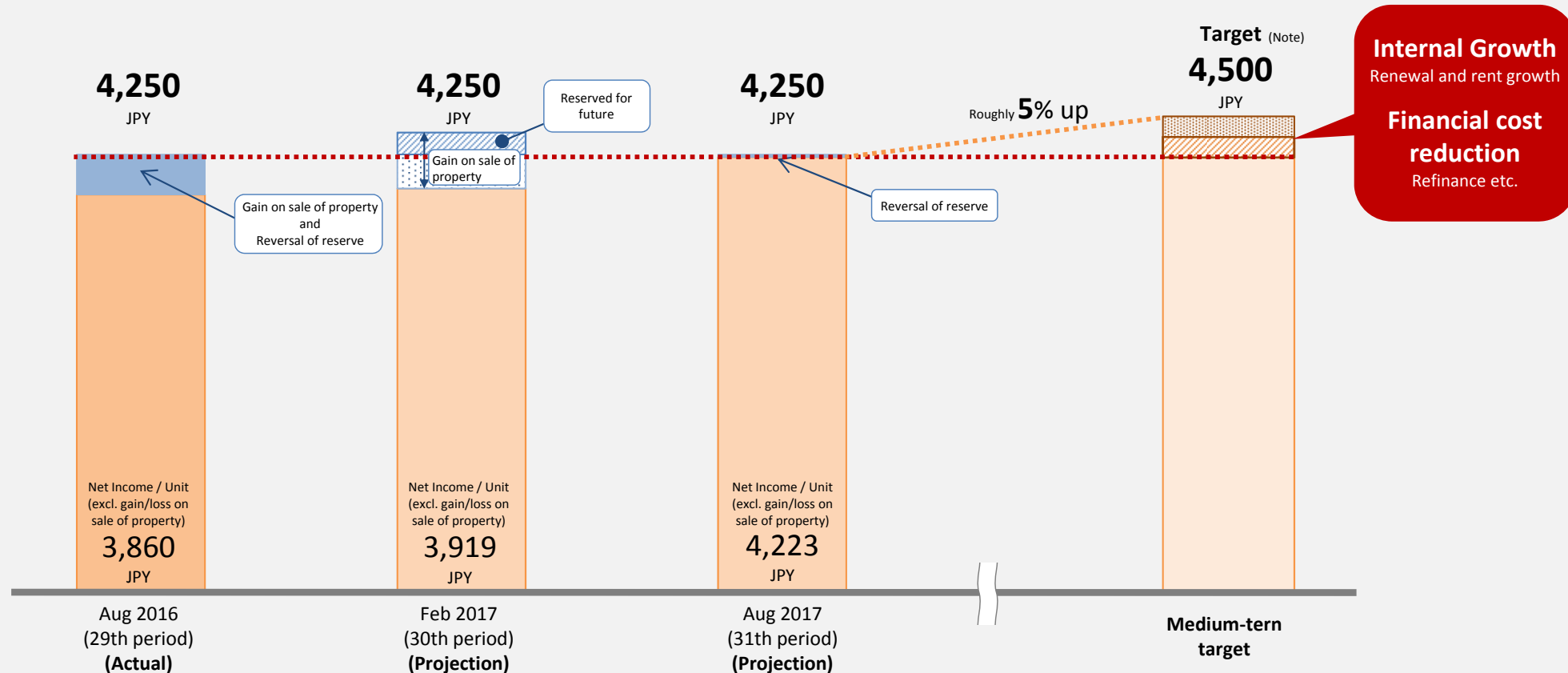
Newly acquired property
G-Bldg. Ginza Chuo-dori 01

- 1. Medium-term Target and Related Issues**
2. Implementation of Growth Strategy
3. Financial Strategy
4. Financial Results and Forecasts
5. Sustainability Management

Medium-term Target for DPU

Medium-target of DPU will be reached through internal growth and financial cost reduction

■ Medium-term target for DPU

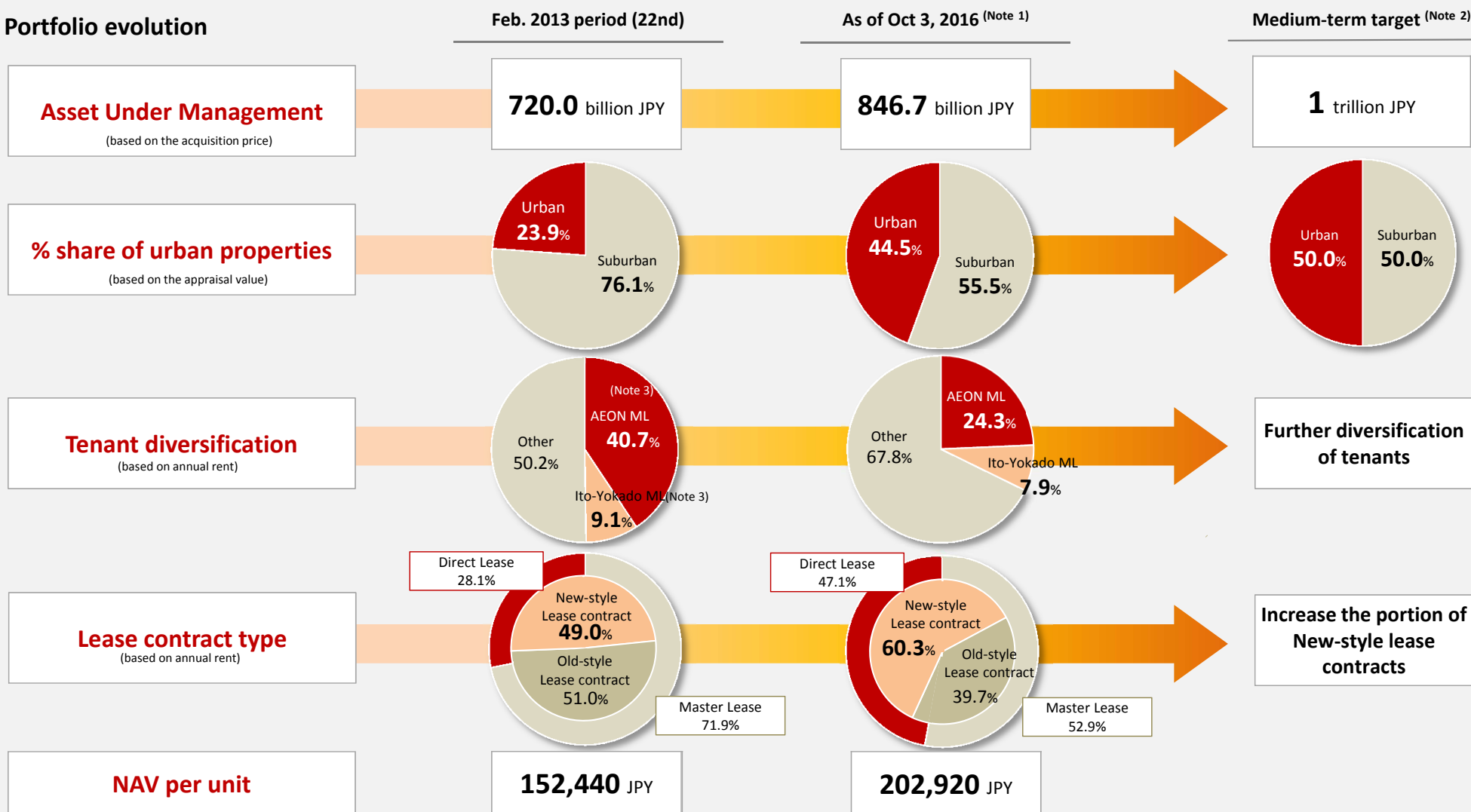


(Note) This is a medium-term target and not guaranteed.

Portfolio Evolution (1)

Enhanced portfolio quality in terms of tenant consistency and substitutability

■ Portfolio evolution

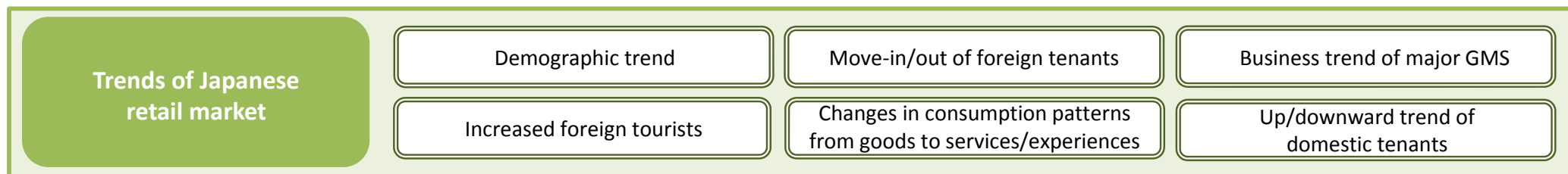


(Note 1) Based on 92 properties (Existing 93 properties we own as of the end of Aug. 2016, excluding AEON Mall Kashiihama (disposed on Sep. 30, 2016) and including G-Bldg. Sendai Ichibancho 01 (acquired on Sep. 29, 2016) and G-Bldg. Takadanobaba (acquired on Oct. 3, 2016)).






(Note 2) This is a medium-term target and not guaranteed.

(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 excluding the properties actively managed by JRF. "Ito-Yokado ML" refers to the total annual rent of Ito-Yokado, which are master lease tenants of properties excluding the properties actively managed by JRF.

Building up a solid portfolio keeping up with the changes in the retail environment



JRF's portfolio and target property type





| | Suburban Properties | | Urban Properties | |
|----------------------------|---|--|--|---|
| | A: Large-scale retail properties, the largest class in the relevant area | B: Retail properties in densely-populated areas | C: Retail properties in favorable locations adjacent major stations | D: Retail properties in prime urban shopping districts |
| |  mozo wonder city |  Kamishin plaza |  Cheers Ginza |  GYRE  Cute Cube Harajuku |
| Trade area | <ul style="list-style-type: none"> Broadly populated commercial areas | <ul style="list-style-type: none"> Densely populated areas with lots of commercial activities | <ul style="list-style-type: none"> Prominent commercial area where tenants and retail properties are concentrated | |
| Location and facility size | <ul style="list-style-type: none"> Easily accessible from the wide commercial areas No. 1 retail property in the area, overwhelming other competitors | <ul style="list-style-type: none"> Little openings of other stores in the vicinity Spacious enough to serve for people's daily needs | <ul style="list-style-type: none"> Easily accessible location with high-traffic volume Enables a wide range of shopping activities | <ul style="list-style-type: none"> Prime commercial area characterized by a number of roadside stores and good shopping experience |

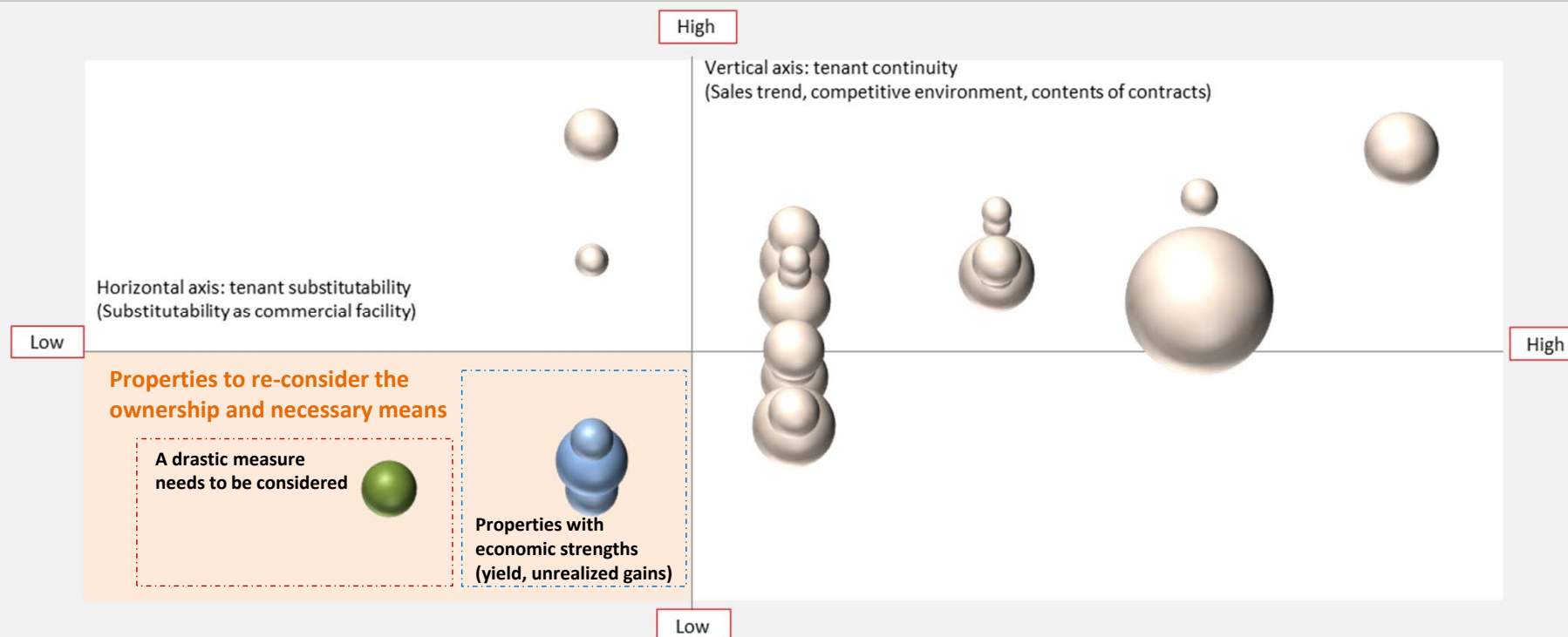
In regards to Suburban Properties, we also consider the credibility of tenants and long-term revenue stability as well as the above trade area and location and facility size

Limited properties bear risks of potential tenant continuity and substitutability

- Only one property left which requires a drastic measure from the view point of the continuity and substitutability of tenants

Current portfolio of 31 suburban properties^(Note) (Excluding mall type)

| | | | |
|---|---|---|--|
|  | Property with <u>lower</u> NOI yield after depreciation than the portfolio average |  | Consider drastic measures |
|  | Property with <u>significantly higher</u> NOI yield after depreciation than the portfolio average |  | Consider reducing risks through asset replacement (meaningful realization of gains, etc.) and execution of longer-term contracts |



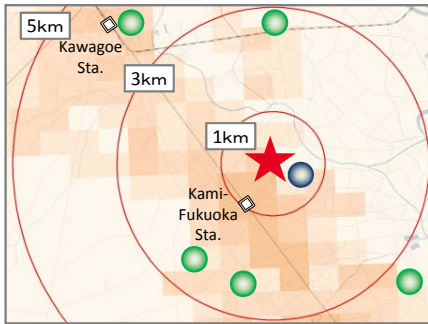
Size of circles represents each acquisition price

(Note) Suburban type properties excluding mall type from 92 properties in the whole portfolio as of Oct 3, 2016 and Kasugai(Land) which will be acquired after Aug 2017.

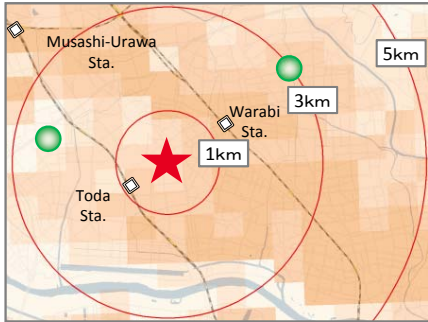
All 8 Ito-Yokado assets are located in the prime locations with densely populated trade area

Population distribution within trade area (Based on Census 2010)

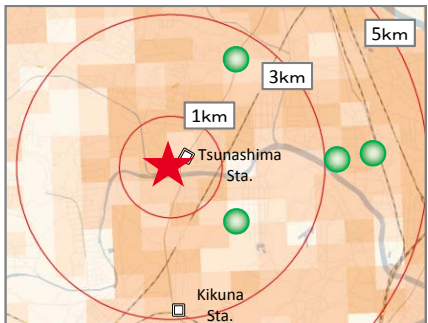
① Ito-Yokado Kamifukuoka-higashi



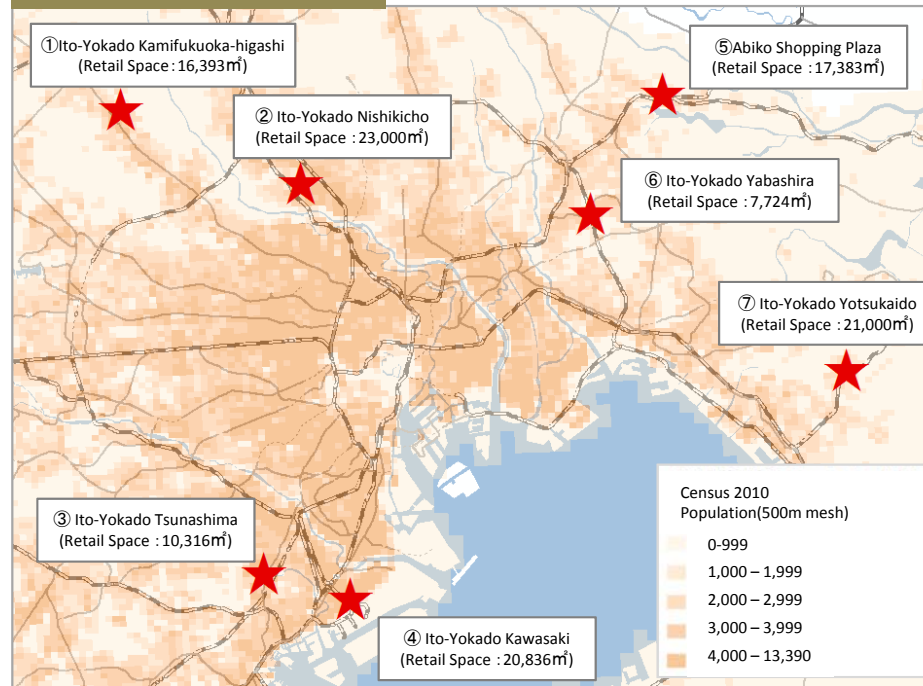
② Ito-Yokado Nishikicho



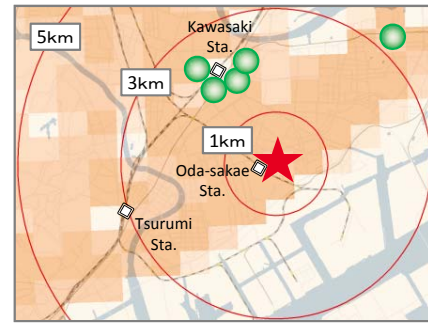
③ Ito-Yokado Tsunashima



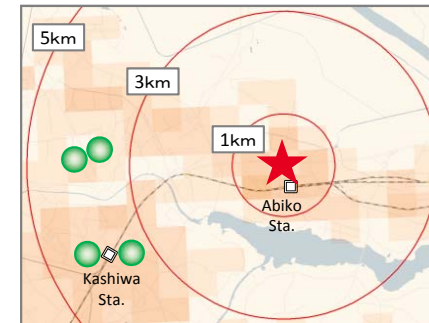
Tokyo and Greater Tokyo Metropolitan Area



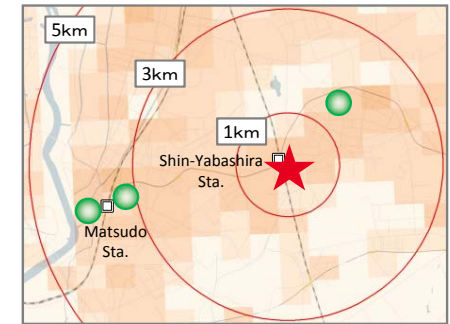
④ Ito-Yokado Kawasaki



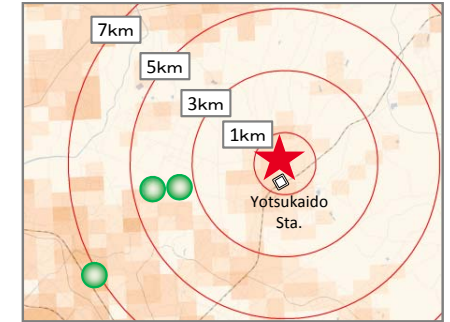
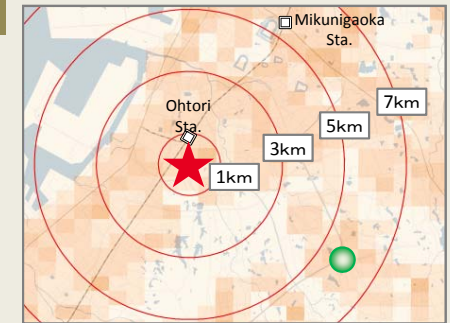
⑤ Abiko Shopping Plaza



⑥ Ito-Yokado Yabashira



⑦ Ito-Yokado Yotsukaido

Kansai Area ARIO Otori (Retail Space : 40,000m²)

Source: Market Planner (Geographic Information System provided by K.K. PASCO)

(Note) Retail space is based on the registration to the government under the Large-Scale Retail Stores Law and the research report from BAC Urban Projects Co.,Ltd.

JAPAN RETAIL FUND



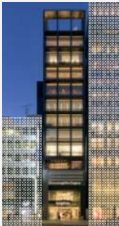












Renewal Open on June 9th, 2016
Kamishin Plaza

1. Medium-term Target and Related Issues
- 2. Implementation of Growth Strategy**
3. Financial Strategy
4. Financial Results and Forecasts
5. Sustainability Management

Implemented both strategic asset replacement and value enhancement of existing assets

■ Action plans for portfolio enhancement

| Fiscal Period | External Growth Asset replacement /Asset size expansion | | Internal Growth Asset value enhancement initiatives | |
|-----------------------------------|---|---|---|--|
| | Disposition | Acquisition | Enhanced property competitiveness | Other measures to improve NOI |
| Aug. 2016 (29th) | <div></div> <div>AEON Mall Kashiihama (19%)</div> | <div></div> <div>Disposition of 3 suburban type assets • Kishiwada CanCan Bayside Mall • AEON Mall Higashiura • Neyagawa(Land)</div> <div></div> <div>G-Bldg. Kyoto Kawaramachi 01</div> <div></div> <div>G-Bldg. Shinsaibashi 04 (Bldg. B)</div> | <div></div> <div>Kamishin Plaza <Renewal></div> <div></div> <div>Ito-Yokado Yotsukaido <Construction of Annex></div> | <div>◆ Reduction of trustee fee and insurance premium</div> <div>◆ Reduction of utility cost</div> <div>◆ Revenue increase from vending machines</div> |
| Feb. 2017 (30th) | <div></div> <div>AEON Mall Kashiihama (51%)</div> | <div></div> <div>G-bldg. Takadanobaba 01</div> <div></div> <div>G-Bldg. Sendai Ichibancho 01</div> | <div></div> <div>G-bldg. Jiyugaoka 01 (Bldg. B) <Reconstruction></div> <div></div> <div>Nara Family <Renewal></div> <div></div> <div>Bic camera Tachikawa <Seismic renovation></div> | <div>◆ Reduction of building Management fee</div> |
| Aug. 2017 (31th) and after | | <div></div> <div>Kasugai(Land)</div> | <div>Various value enhancement programs are planned to be implemented after fiscal period ending Aug 2017</div> | |

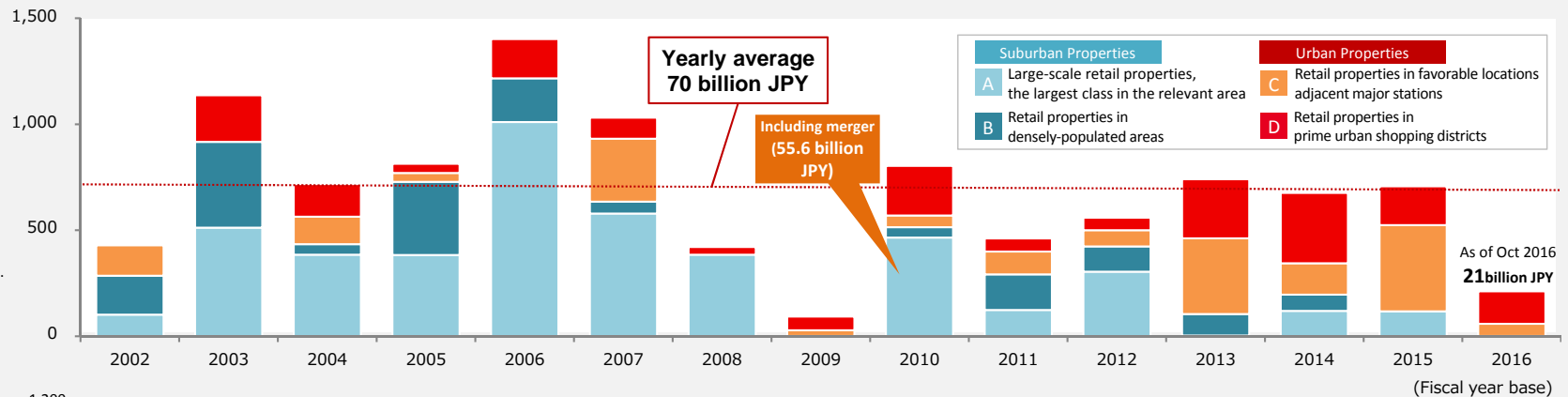
External Growth Strategy (1) – Our Acquisition Track Record

Increased profitability and stability based on consecutive acquisition

■ Since IPO

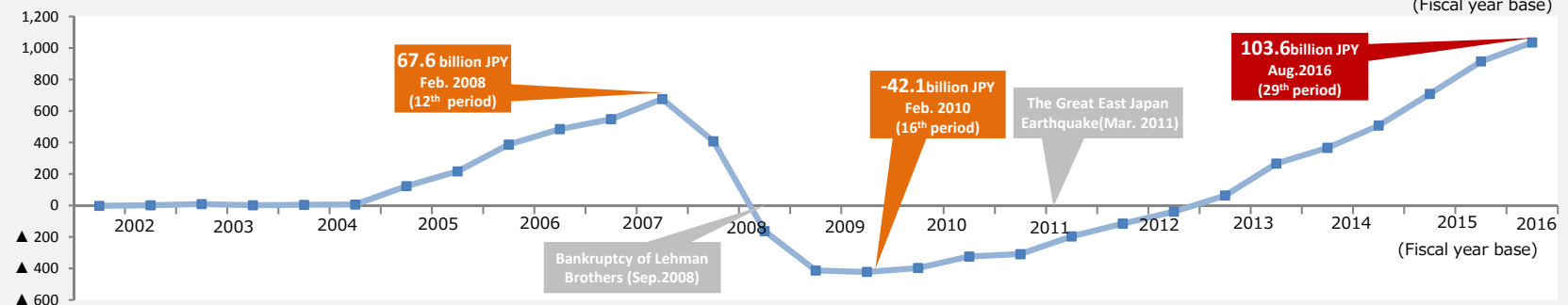
Acquisition track record by asset category (billion JPY)

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



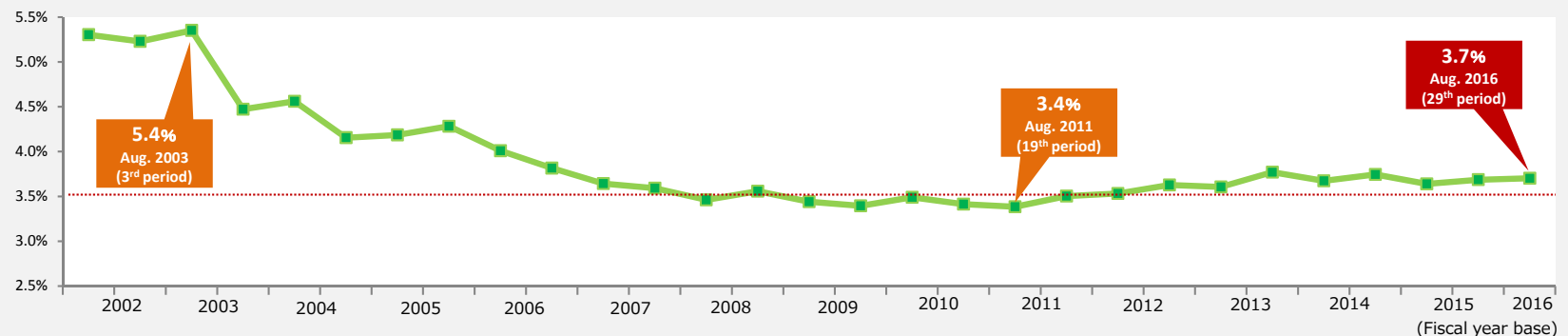
Unrealized profits and losses (billion JPY)

(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)



Portfolio enhancement via asset replacement to increase the urban type ratio

■ Summary of strategic asset replacement program carried out in fiscal period ended Aug. 2016 (29th)

Disposition of suburban type properties

Disposition of the bleeding asset

Kishiwada CanCan Bayside mall



Decided to dispose the property after considering comprehensive options, as the profitability has declined due to intensified competition

Disposition of suburban type assets with high uncertainty for the future

AEON Mall Higashiura



The properties will be sold at the optimal timing under the strong real estate market

【AEON Mall Higashiura】The competition in the broader commercial area was intensified.

【Neyagawa(Land)】The disposition determined through discussions with the tenant, which closed the store in November 2014.

Neyagawa (Land)



| Number of property | Disposition price | Gain on sale of property | NOI yield (after depreciation) |
|--------------------|-------------------|--------------------------|--------------------------------|
| 3 properties | 15.7 billion JPY | 400 million JPY | 2.0% |

Acquisitions of urban type properties in prime location

Disposition proceeds of suburban type properties were used to acquire these urban type properties

G-Bldg. Takadanobaba 01 (Formerly: Takadanobaba(Land))



100% is to be owned through an additional acquisition of 40% co-ownership of trust beneficiary interests in land and 100% of trust beneficiary interests in building

| Acquisition price | NOI yield (after depreciation) |
|-------------------|--------------------------------|
| 3.5 billion JPY | 3.3% |

G-Bldg. Sendai Ichibancho 01



Taking ownership of 100% as contracted after the completion of seismic renovations and the start of operation of the tenant.

| Acquisition price | NOI yield _(Note) (after depreciation) |
|-------------------|--|
| 1.5 billion JPY | 4.0% |

Disposition proceeds will be allocated to acquire prime properties mainly in urban areas

New acquisitions based on asset size expansion and asset replacement strategy

■ Target yield for new properties

Aiming for the acquisitions of prime properties leveraging two sources of the fund

| Source of fund | Target yield | | | | | | |
|--|--|--|--------------------------------|-------------------------------------|--------------|---|--------------|
| Public Offering | NOI yield (after depreciation) of current portfolio average 3.7% <small>(As of the end of Aug 2016)</small> | | | | | | |
| Asset Replacement Acquisition capacity <small>(Note 1) Around</small> 38.8 billion JPY | NOI yield (after depreciation) of the disposed portfolio average 2.8% <table border="1"> <thead> <tr> <th></th><th>NOI yield (after depreciation)</th></tr> </thead> <tbody> <tr> <td>Oct 2015 5 AEON Properties disposed</td><td>3.3 %</td></tr> <tr> <td>Aug 2016 3 suburban type property disposed <small>(Note 2)</small></td><td>2.0 %</td></tr> </tbody> </table> | | NOI yield (after depreciation) | Oct 2015 5 AEON Properties disposed | 3.3 % | Aug 2016 3 suburban type property disposed <small>(Note 2)</small> | 2.0 % |
| | NOI yield (after depreciation) | | | | | | |
| Oct 2015 5 AEON Properties disposed | 3.3 % | | | | | | |
| Aug 2016 3 suburban type property disposed <small>(Note 2)</small> | 2.0 % | | | | | | |

■ Acquisition Pipeline

Acquisition Target

- Mainly acquire the urban type considering the tenant substitutability.
- Selectively acquire the suburban type considering both the tenant substitutability and the tenant consistency.

Short listed properties

Several urban type properties are under consideration

- Urban type retail property located in the high-street
- Urban type retail property with plenty of footfall in the busy commercial area
- Urban type retail property located quite near to the station

Property with the forward-commitment (1 property)



Kasugai (Land with leasehold interest)

- A long-term commercial fixed term land lease contract has been concluded.
- To be settled after Aug 2017 upon the completion of the construction.

| Acquisition price | NOI yield (after depreciation) |
|-------------------------|--------------------------------|
| 6.35 billion JPY | 4.2 % |

(Note 1) Acquisition capacity is the amount that remaining disposition proceeds from the sale of 5 AEON properties and 3 suburban type properties deducting the acquisition price of "G-Bldg. Takadanobaba 01" (Additional acquisition) which was settled on Oct 3, 2016.

(Note 2) NOI yield (after depreciation) of 3 suburban properties is calculated based on annualized actual NOI of fiscal period ended Feb 2016(28th) for 2 properties other than Kishiwada CanCan Bayside mall, of which NOI is calculated by NOI based on the appraisal report as of Jul 1st 2016 replacing the depreciation into actual amount of fiscal period ended Feb 2016(28th).

Implement internal growth strategy by leveraging our SC management capability

Internal Growth Programs

Nara Family

Moving towards a high-grade urban SC through a large-scale renewal project

Started in Oct 2015

- ✓ zero: a newly opened specialized stores
- ✓ Grand opening on Nov 1st 2016



Bic Camera Tachikawa

Upside potential after anti-seismic reinforcement

Started in Jul 2015

- ✓ Seismic reinforcement work in progress
- ✓ New leasing contract already signed with the tenant



G-Bldg. Jiyugaoka 01 (Bldg.B)

Redevelopment on own balance sheet due to aging of the property

Started in Jun 2016

- ✓ New leasing contract subject to the completion already signed with the global fashion brand as a tenant
- ✓ To be completed in Autumn 2016

Further strengthen the competitiveness of the mall leveraging the blocks with matured lease contracts

Oyama Yuen Harvest Walk (2nd project)

<Autumn 2017>

- ✓ Currently working on the basic plan
- ✓ Leasing contracts (fixed-term) for nearly 30 blocks to be terminated



NEW

Narupark

<Spring 2017>

- ✓ Leasing contracts (fixed-term) for nearly 30 blocks to be terminated



KAWASAKI Le FRONT

<Date to be decided>

Renewal leveraging its overwhelming potential as retail property

- ✓ Currently working on the basic plan



mozo wonder city (2nd project)

<Scheduled in 2018>

- ✓ Currently working on the basic plan
- ✓ Leasing contracts (fixed-term) for nearly 90 blocks to be terminated

Abiko Shopping Plaza

Restructure tenant mix upon the leasing contracts termination

<Spring 2018>

- ✓ Currently working on the basic plan



GYRE

<After 2017>

- ✓ Targeting at upside from termination of fixed-term leasing contract



2016

NOW











2017 and after

* Future plans may change without notice.

Internal Growth Strategy (2)

Implement internal growth strategies to enhance property competitiveness and profitability

■ **2** properties completed, **3** properties ongoing in the latest fiscal period

| Status | Property | | Objective/Result | Schedule | (Estimated) Expenditure | (Estimated) NOI increase / Investment amount |
|--------------|-----------------------------------|--|---|----------------------------------|----------------------------|---|
| In operation | mozo wonder city (1st project) |  | A large-scale renewal project to establish a stronger market position ■ Result of renewal(before=100%)(Note 3) ✓ Sales 106.3% ✓ Footfall 96.4% | Grand open in Sep 2015 | 2.13 billion JPY | 9.8% |
| | | | | | | |
| Completed | KAMISHIN PLAZA |   | Seek for improved attractiveness for customers through floor renewal | Completed in Jun 2016 | 290 million JPY | 15.5% |
| | Ito-Yokado Yotsukaido |  ✓ On Aug 29, 2016 , the tenant in the Annex, Chiba Kogyo Bank, started its operation. | Build the extension on a part of the premise returned by the master lease tenant | Completed in Jul 2016 | 150 million JPY | 10.4% |
| Ongoing | G-Bldg. Jiyugaoka 01 (Bldg. B) |   | On-book redevelopment of the aging property | Completion scheduled in Nov 2016 | 590 million JPY | 6.4% |
| | Big Camera Tachikawa |   | Upside potential after anti-seismic reinforcement | Completion scheduled in Dec 2016 | 2.92 billion JPY | 15.3% |
| | Nara Family |   | Moving towards a high-grade urban SC through a large-scale renewal project | Grand open in Nov 2016 | 5.1 billion JPY | 8.2% (vs. w/o Renewal) 4.2% (vs. Actual) |

(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 mozo, actual NOI of 28th and 29th fiscal period after renewal post adjustment of ownership percentage excluding the one-off expenses related to renewal projects such as repair expenses and retirement losses.

(Note 3) Comparison between the figures before renewal, 366 days from Sep 20, 2013 to Sep 20, 2014, and the figures after renewal, 366 days from Sep 18, 2015 to Sep 17, 2016.

(Note 4) Ratio without renewal = (the difference between projected NOI without renewal projects and NOI after renewal) / (Investment amount); whereas ratio with actual = (the difference between actual NOI of 25th and 26th FP and annualized NOI after renewal) / (investment amount)

Grand opening of new specialty store area "zoro" on Nov. 1

■ Overview of renewal project

Purpose

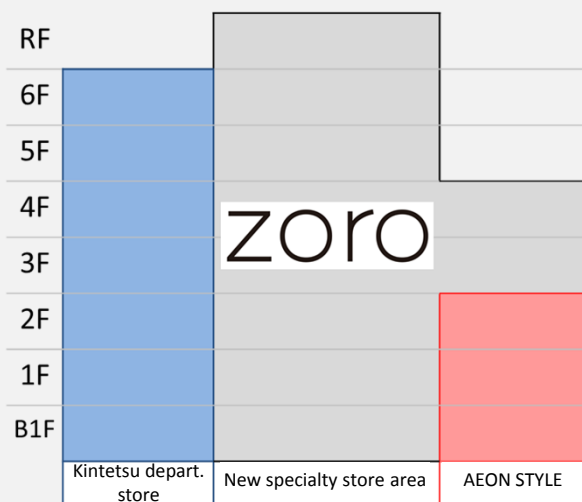
Large-scale renewal project to move towards a high-grade urban SC, targeting annual sales of 48 billion JPY

Initiatives

- Newly created logo for "Nara Family"
- Expansion of specialty store area with new specialty store area "zoro"
- Renovation to a prime retail facility
- Tenant mix largely reviewed to suit for the target customers



New specialty store area "zoro"



Kintetsu department store and AEON renovated at the same time

Environmental design concept " Yamato (Japanese) modern"

The entire facility renovated under the environmental design concept reflecting the beauty of "Tenpyo Culture", the symbol of Nara Prefecture in the modern approach



Artium space



1F Common passage



2F Common passage

Tenant structure

- 55 new tenants opened, including their first store in Nara
- Broadened relationships with new tenants

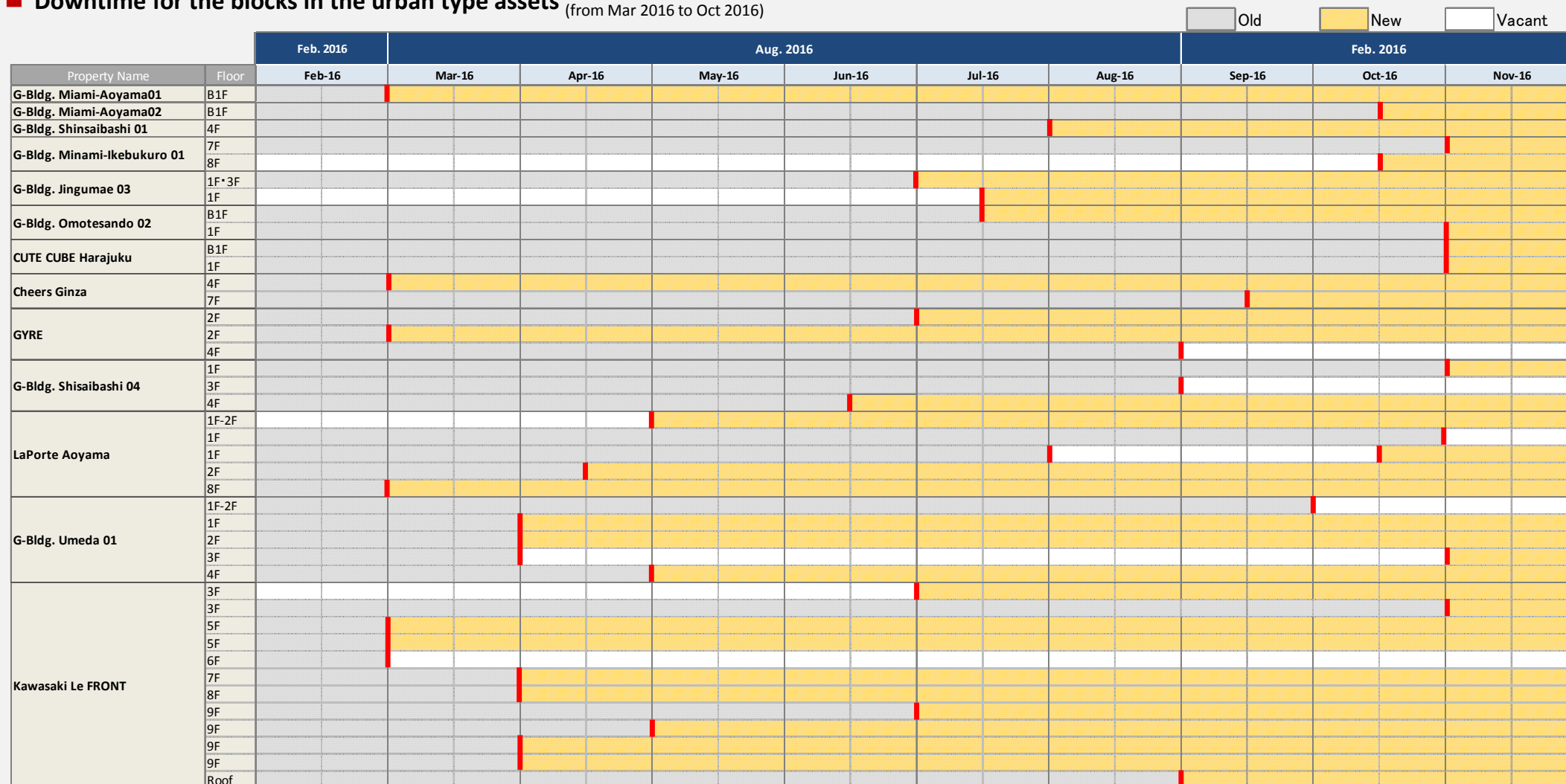
New tenants who open their first store in Nara

| | |
|---------------|---|
| FASHION | 「BEAMS(Open in Spring 2017)」 「gelato pique」「Mila Owen」 |
| GENERAL GOODS | 「unico」「COLLECTORS」「TicTAC」 |
| ACCESSORIES | 「Paolo bottoni」「MUK MOCABROWN」 |
| FOODS | 「gram」 |
| SERVICE | 「Figaro AVEDA」 |

Internal Growth Strategy (4) – Tenant Turnover

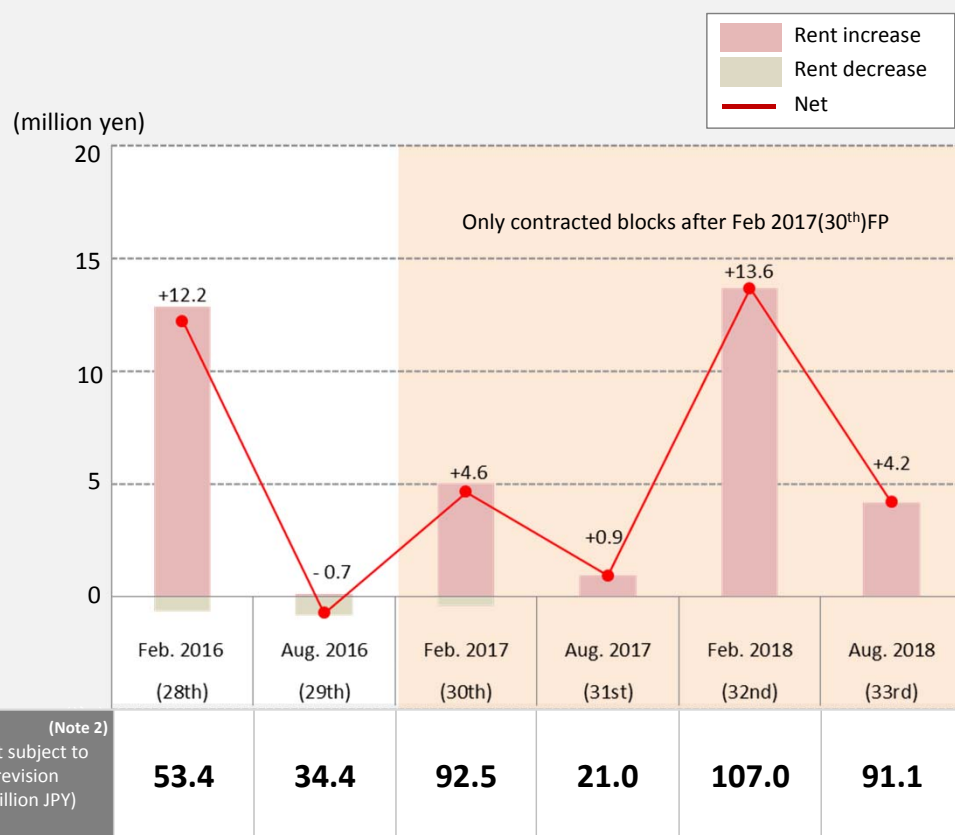
Most of the blocks are renewed without significant downtime

■ Downtime for the blocks in the urban type assets (from Mar 2016 to Oct 2016)



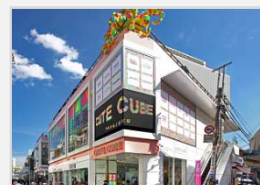
Achieved rent increase in urban type property leveraging our SC Management capabilities

Summary of rent revisions (monthly rent base) ^(Note 1)



Examples of rent increase

CUTE CUBE Harajuku



Re-tenanted without downtime with rent increase for the blocks where previous overseas tenant withdraw.

| | Floor area | (Note 4) Rent growth |
|--|-----------------------------|-------------------------|
| Expiration of lease contract (2 tenants) | Approx. 100 tsubo | +24.0% |

G-Bldg. Minami-Aoyama 01



Agreed on upward rent revision with the existing tenants by serving the floor extension needs.

| | Floor area | (Note 4) Rent growth |
|---|-----------------------------|-------------------------|
| Expiration of lease contract (1 tenant) | Approx. 200 tsubo | +118.1% |

GYRE



Rent growth in Omotesando, where street level boutiques of the overseas luxurious brands are accumulated.

| | Floor area | (Note 4) Rent growth |
|---|-----------------------------|-------------------------|
| Expiration of lease contract (1 tenant) | Approx. 100 tsubo | +56.6% |

(Note 1) Figures are based on lease contracts signed as of Oct 14, 2016, excluding certain blocks whose rent level cannot be compared before and after lease renewal.
 (Note 2) The total of rent associated with the blocks in the Urban type property is shown which are subject to the renewal due to the contract maturity for each period.
 (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).

Profitability enhancement through cost reductions and increase in supplementary revenue by leveraging our asset size

■ Initiatives and its results

Continuously implemented initiatives aimed at NOI growth including cost reductions from revision of contracts and auction process as well as increase in operational efficiencies, by leveraging our strong negotiation power from the scale

Aug. 2016 period (29th)

Cost reduction

Reduction in trust fees/insurance premium

Result

20 million JPY
/period^(Note 1)

(approx. 8 yen/unit)

- Trustee fee: 7 properties underwent contract renewal since the Feb. 2016 period (28th)
- Insurance premium: executed the auction process for cost reduction
- Reduced costs by streamlining the operations in multiple assets

Cost reduction

Reduction in utility cost

Result

approx. **26** million JPY
/period^(Note 2)

(approx. 10 yen/unit)

- Implemented an auction process for changing power supplier at 34 properties to reduce the utility costs
- Renewed the contracts at 22 properties during the Aug. 2016 period (29th)
- Further contracts to be renewed

Increase in supplementary revenue

Increase in revenues from vending machines

Result

approx. **7** million JPY
/period

(approx. 3 yen/unit)

- Revised the contracts of vending machine operators at 12 properties
- After the negotiation and auction process, commission rates increased for existing contracts of 250 vending machines at 9 properties and installed new 10 machines at 3 properties
- Will keep seeking to increase adjacent revenues, upon future renovations or contract renewals

Feb. 2017 period (30th)

Cost reduction

Reduction in building management expenses

Estimate

approx. **12** million JPY
/period

(approx. 5 yen/unit)

- Implemented auctions of BM operators for 26 properties in Greater Tokyo metropolitan area
- The operator's auctions combined with changes of BM system led to the management expense savings
- Further contracts to be renewed after Feb. 2017 period (30th)

(Note 1) Calculated by subtracting trust fees and insurance premium for the Feb. 2016 period (28th) from the ones for the Aug. 2016 period (29th)

(Note 2) Estimated incremental effect to NOI by comparing old and new fee structures based on actual electricity uses at 22 properties, which renewed electricity contracts during the Aug. 2016 period (29th)

JAPAN RETAIL FUND



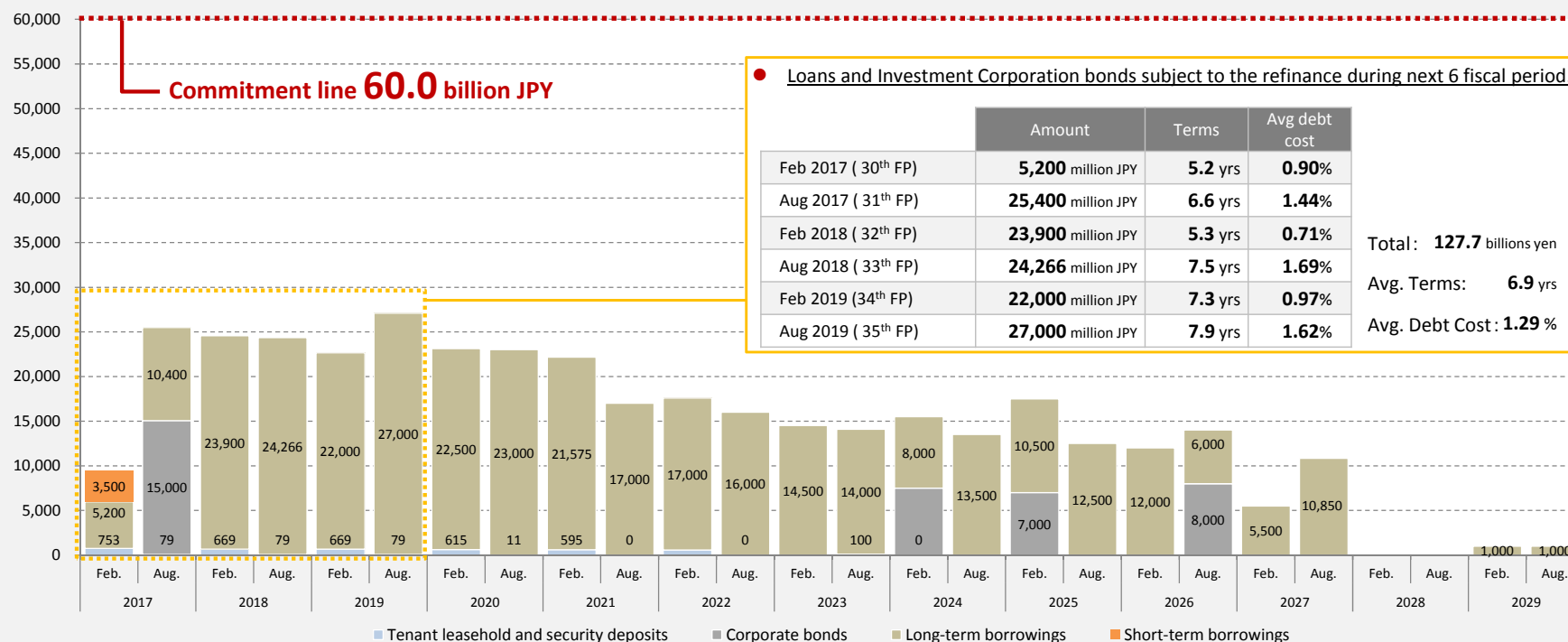
Newly acquired the annex on July 29, 2016
Ito-Yokado Yotsukaido(Annex)

1. Medium-term Target and Related Issues
2. Implementation of Growth Strategy
- 3. Financial Strategy**
4. Financial Results and Forecasts
5. Sustainability Management

Stable debt management by leveling of repayment amount while reducing interest expense

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

(million JPY)



Recent refinance activities

Procured longer debt with cheaper interest through recent refinance activities.

● Refinance in July 2016

| Debt matured | |
|----------------|--------------------|
| Amount | 10,850 million JPY |
| Avg. Debt cost | 2.01 % |
| Avg. Term | 7.0 yrs |
| Date Borrowed | July 2009 |

Refinance Debt

| | |
|----------------|--------------------|
| Amount | 10,850 million JPY |
| Avg. Debt cost | 0.40 % |
| Avg. Term | 11.0 yrs |
| Date Borrowed | July 2016 |

● Refinance in September 2016

| Debt Matured | |
|----------------|-------------------|
| Amount | 5,500 million JPY |
| Avg. Debt cost | 0.72 % |
| Avg. Term | 5.0 yrs |
| Date Borrowed | September 2011 |

Refinance Debt

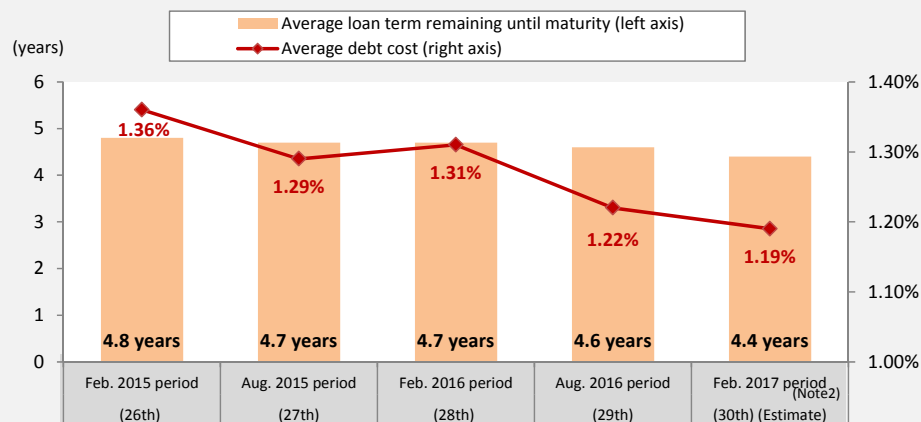
| | |
|----------------|-------------------|
| Amount | 5,500 million JPY |
| Avg. Debt cost | 0.47 % |
| Avg. Term | 10.0 yrs |
| Date Borrowed | September 2016 |

Persistent efforts for further strengthening financial stability

■ LTV management for stable financial base

- ✓ LTV benchmark: 45% - 55%
- ✓ Debt cost reduction through refinance
- ✓ Enhancement the stable financial base

Financial indices^(Note 1)



| | | | | | |
|--|--------|-------|-------|-------|-------|
| LTV (ratio excluding tenant leasehold and security deposits) | 44.6% | 45.1% | 42.2% | 44.3% | 44.4% |
| LTV | 51.9% | 52.2% | 48.5% | 50.3% | 50.2% |
| Long-term borrowings ratio | 100.0% | 99.3% | 99.8% | 99.2% | 99.2% |
| Fixed interest rate ratio | 92.8% | 95.5% | 99.8% | 96.3% | 96.3% |

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

- ✓ Responding to the 2015 Tax Reform, by the end of the fiscal period ending Feb 2017, JRF will start drawdown payout of reserve for dividend after reclassification into Reserve for Temporary Difference Adjustment(RTDA).
- ✓ Details of the drawdown policy of RTDA has not been decided.

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 3)
 - Reserve for reduction entry of property **476** million JPY ^(Note 3)
- Total reserve 3,614** million JPY

Reserve per unit: JPY 1,416^(Note 3) (Period over Period -10 JPY)

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) Calculation includes the deposit and guarantee money.

(Note 2) Estimated based on the completion of contracted transactions: AEON Mall Kashiihama (disposed on Sep. 30, 2016), G-Bldg. Sendai Ichibancho 01 (acquired on Sep. 29, 2016) and G-Bldg. Takadanobaba (acquired on Oct. 3, 2016).

(Note 3) As of Oct. 13, 2016 when the distribution statements in the financial statements of fiscal period ended Aug. 2016 was approved by the JRF's Board of Directors.

JAPAN RETAIL FUND



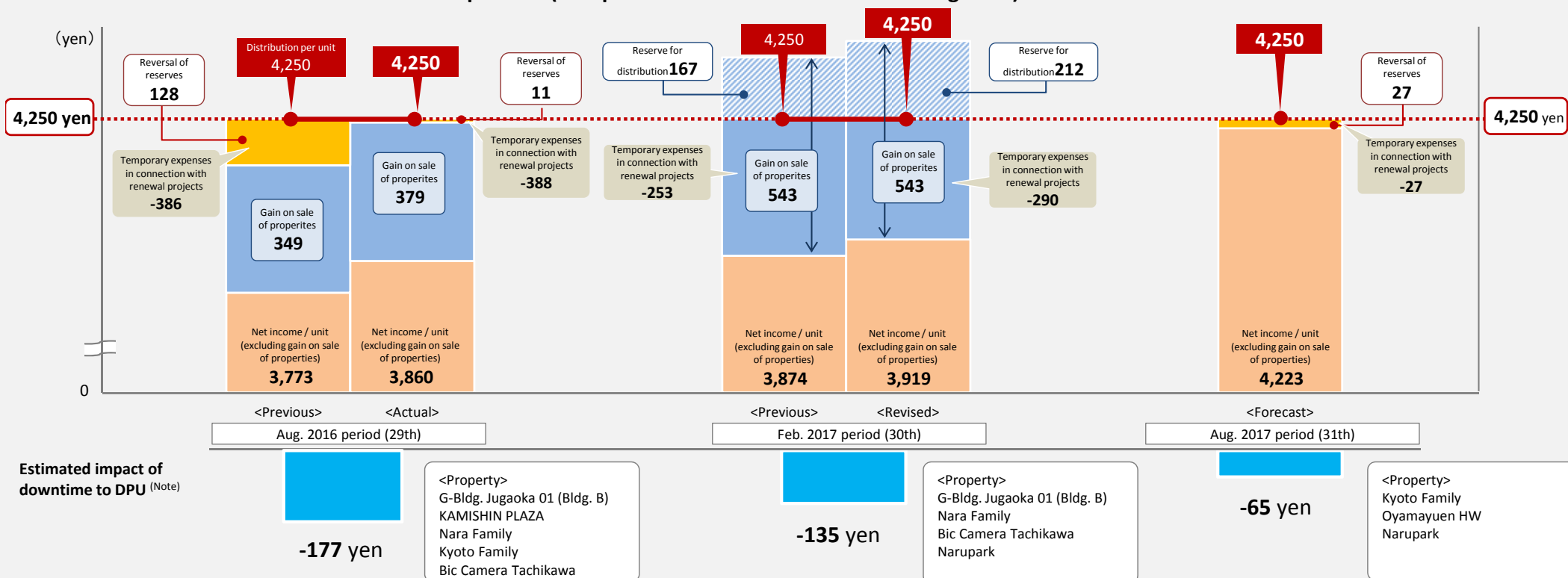
Newly acquired property

G-Bldg. Sendai Ichibancho 01 (additional acquisition of the building)

1. Medium-term Target and Related Issues
2. Implementation of Growth Strategy
3. Financial Strategy
- 4. Financial Results and Forecasts**
5. Sustainability Management

Summary of Results and Forecasts

■ Illustration of the forecast for distribution per unit (Comparison between the forecast at Aug 2016)



Aug. 2016 period (29th)

Actual: **4,250** yen
compared to announced forecast: **No change**

Key points on actual distributions result

- Decrease in disposition expenses regarding 3 suburban properties
- Decrease in repair expense
- Reserve will be appropriated to offset the temporary expenses associated with large-scale renewal projects

Feb. 2017 period (30th)

Revised forecast: **4,250** yen
compared to announced forecast: **No change**

Key points on revision to distribution forecast

- Downtime due to renewal of Nara family
- Penalty income assumed, increase in repair expense
- Decrease interest expense

Aug. 2017 period (31th)

Forecast: **4,250** yen
compared to announced forecast: **No change**

Key points on distributions forecast

- Absence of gain on sale of property and of penalty income
- Contribution of revenue increase of renewal assets
- Downtime association with commencement of several renewal projects
- Reserve will be appropriated to offset the temporary expenses associated with large-scale renewal projects
- DPU Forecast is 4,250 yen, same as the revised DPU forecast of 30th 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.

August 2016 period (29th) P/L performance

| | Feb. 2016 Period (28th) (Actual) | Aug. 2016 Period (29th) (Actual) | Change | Aug. 2, 2016 (Revisions of forecast) | Change |
|------------------------|-------------------------------------|-------------------------------------|---------|--|---------|
| Operating revenue | 32,017 | 37,078 | +5,060 | 37,085 | -7 |
| (Rent NOI) | 21,767 | 21,812 | +45 | 21,624 | +188 |
| Operating income | 13,684 | 13,841 | +156 | 13,547 | +293 |
| Non-operating revenue | 9 | 2 | -6 | | |
| Non-operating expenses | 2,539 | 2,447 | -92 | | |
| Ordinary income | 11,154 | 11,396 | +241 | 11,098 | +298 |
| Extraordinary loss | 242 | 575 | +333 | | |
| Net income | 10,912 | 10,820 | -91 | 10,522 | +298 |
| Allocation to reserve | 193 | — | -193 | — | 0 |
| Reversal of reserve | — | (Note 1) 25 | +25 | 324 | -298 |
| 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 | +46 yen | 4,250 yen | — |
| FFO per unit (Note2) | 6,293 yen | 6,217 yen | -76 yen | 6,132 yen | +85 yen |
| FFO pay out ratio | 66.7 % | 68.4 % | — | 69.3 % | — |
| Capital expenditures | 3,556 | 1,675 | -1,881 | 2,019 | -344 |
| Repair expenses | 346 | 227 | -119 | 378 | -151 |
| Total | 3,903 | 1,902 | -2,000 | 2,397 | -495 |
| Depreciation | 6,138 | 6,017 | -121 | 6,022 | -5 |

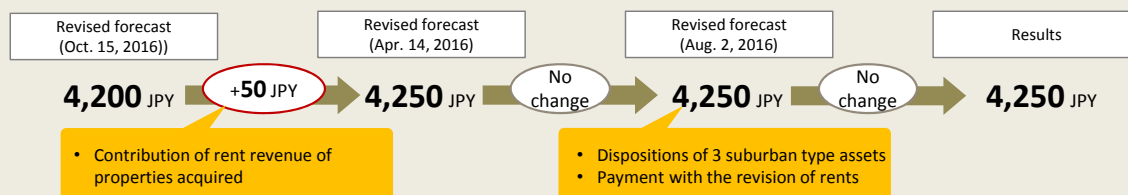
(Note 1) Balance of allocation to reserve after approval of distributions at the JRF board directors meeting on Oct. 13, 2016.

(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

| ■ Major factors behind change during Aug 2016 (29th) period (compared to previous period) | | (million JPY) |
|--|--|---------------|
| Operating revenues | | +5,060 |
| ✓ Contribution, in full, of rent revenue of properties acquired through PO in 2015 | | +122 |
| ✓ Decrease in rent revenue of 5 AEON properties disposed | | -412 |
| ✓ Contribution of rent revenue of properties acquired through asset replacement | | +572 |
| ✓ Decrease in rent revenue of 3 suburban properties disposed | | -18 |
| ✓ The gain on sale of properties | | +5,237 |
| ✓ Existing properties (decrease in rent revenue -352, Other revenues -89) | | -441 |
| Operating expenses | | +4,904 |
| ✓ Contribution, in full, of expenses of properties acquired through PO in 2015 | | +97 |
| ✓ Decrease in expenses of 5 AEON properties disposed | | -293 |
| ✓ Expenses related to acquisitions of new assets | | +86 |
| ✓ Decrease in expenses of 3 suburban properties disposed | | -65 |
| ✓ The loss on sale of properties on Kishiwada CanCan Bayside mall | | +5,257 |
| ✓ Existing properties (repair expenses (104), promotion expenses(153), other related expenses +140, Utility charge (38)) | | -169 |
| Operating income | | +156 |
| ✓ Decrease in interest payments | | -93 |
| Ordinary income | | +241 |
| ✓ Extraordinary losses (settlement package for reaching accommodation with tenant) | | -575 |
| ✓ Absence of extraordinary losses (settlement package for reaching accommodation with tenant) | | +242 |
| Net income | | -91 |

| ■ Major factors behind change during Aug 2016 (29th) period (compared to the revised forecast as of Aug. 2) | | (million JPY) |
|--|--|---------------|
| Operating revenues | | -7 |
| ✓ Decrease in utility charge received | | -61 |
| ✓ Increase in card commission fee | | +26 |
| ✓ Increase in other income | | +27 |
| Operating expenses | | -302 |
| ✓ Absence of the expense related to dispositions | | -67 |
| ✓ Decrease in repair expense | | -151 |
| ✓ Decrease in utility charge paid | | -26 |
| ✓ Decrease in other operating expense | | -34 |
| ✓ Decrease in other administrative expense(incl. non-deductible consumption tax (16)) | | -25 |
| Operating income | | +293 |
| Ordinary income | | +298 |
| Net income | | +298 |

Change in DPU forecast for Feb. 2016 period (28th)



August 2016 period (29th) B/S performance

| | Feb. 2016 Period (28th) (Actual) | Aug. 2016 Period (29th) (Actual) | Change |
|--|-------------------------------------|-------------------------------------|-------------|
| Total assets (1) | 829,239 | 858,390 | +29,150 |
| Total liabilities | 414,533 | 443,116 | +28,582 |
| Interest-bearing liability (2) | 349,591 | 380,391 | +30,800 |
| Tenant leasehold and security deposits (3) | 52,833 | 51,147 | -1,686 |
| Net assets | 414,705 | 415,274 | +568 |
| LTV ((2)+(3)) / (1) | 48.5 % | 50.3 % | 1.7 points |
| LTV (2) / (1) | 42.2 % | 44.3 % | 2.2 points |
| Long-term borrowings ratio | 99.8 % | 99.2 % | -0.6 points |
| Fixed interest rate ratio | 99.8 % | 96.3 % | -3.5 points |
| Average debt cost | 1.31 % | 1.22 % | -0.1 points |
| Number of properties | 94 properties | 93 properties | -1 property |
| Aggregate acquisition price | 852,414 | 848,515 | -3,899 |
| Unrealized profits and losses | + 91,540 | + 103,646 | +12,106 |
| Book value | 807,141 | 803,637 | -3,504 |
| Appraisal value | 898,682 | 907,284 | +8,602 |
| <Reference: Balance of reserve> | | | |
| Balance of reserve | 3,640 | 3,614 | -25 |
| Reserve for dividends (Negative goodwill) | 3,138 | 3,138 | - |
| Reserve for reduction entry of property | 502 | 476 | -25 |

Major factors behind change during Aug. 2016 (29th) period (compared to previous period)

(million JPY)

| | |
|--|---------|
| Total assets | +29,150 |
| ✓ Acquisition of new properties through asset replacement | +16,193 |
| ✓ Disposition of existing properties | -17,873 |
| ✓ Increase in cash and bank deposits | +33,022 |
| ✓ Depreciation, loss on disposal of fixed assets | -6,062 |
| ✓ Capital expenditures | +1,675 |
| ✓ Increase in Construction in progress account | +1,995 |
| Total liabilities | +28,582 |
| ✓ Increase in short-term borrowings and corporate bond in accordance with acquisitions | +2,500 |
| ✓ Increase in long-term borrowings and corporate bond in accordance with acquisitions | +28,300 |
| ✓ Derivatives liabilities | -466 |
| ✓ Repayment of tenant leasehold and security deposits | -1,686 |
| Net assets | +568 |
| ✓ Increase in reserve for dividends | +193 |
| ✓ Decrease in net revenue | -91 |
| ✓ Increase in capital associated with issuance of new units | +466 |

Forecasts for the coming two periods

| | Aug. 2016 Period (29th) (Actual) | Feb. 2017 Period (30th) (Forecast) | Change | Aug. 2017 Period (31st) (Forecast) | Change |
|---|-------------------------------------|---------------------------------------|---------|---------------------------------------|----------|
| Operating revenue | 37,078 | 31,631 | -5,446 | 30,069 | -1,562 |
| (Rent NOI:excluding on sale) | 21,812 | 20,922 | -890 | 21,667 | +744 |
| Operating income | 13,841 | 13,710 | -131 | 13,051 | -658 |
| Ordinary income | 11,396 | 11,390 | -6 | 10,780 | -610 |
| Extraordinary loss | 575 | — | -575 | — | - |
| Net income | 10,820 | 11,389 | +568 | 10,779 | -610 |
| Allocation to reserve | — | 543 | +543 | — | -543 |
| Reversal of reserve ^(Note 1) | 25 | — | -25 | 67 | +67 |
| Balance of reserve ^(Note 2) | 3,614 | 4,157 | | 4,090 | |
| Total distribution | 10,846 | 10,846 | | 10,846 | — |
| Units outstanding | 2,552,198 units | 2,552,198 units | — | 2,552,198 units | — |
| DPU | 4,250 yen | 4,250 yen | — | 4,250 yen | — |
| FFO per unit ^(Note3) | 6,217 yen | 6,134 yen | -83 yen | 6,452 yen | +318 yen |
| FFO pay out ratio | 68.4 % | 69.3 % | — | 65.9 % | — |
| Capital expenditures | 1,675 | 9,104 | +7,429 | 1,644 | -7,460 |
| Repair expenses | 227 | 906 | +679 | 243 | -663 |
| Total | 1,902 | 10,011 | +8,109 | 1,887 | -8,124 |
| Depreciation | 6,017 | 5,653 | -363 | 5,689 | +35 |

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

| | Feb. 2017 period (30 th) | Property | Aug. 2017 period (31 th) | Property |
|--|--------------------------------------|------------------------------------|--------------------------------------|--------------------------------|
| Temporary expenses in connection with renewal projects | 741 million JPY | Nara Family, Bic Camera Tachikawa, | 70 million JPY | mozo wondercity, Oyamayuen HW, |
| Demolition costs, compensation costs, etc. | 666 million JPY | G-bldg. Minami-Ikebukuro01, | 26 million JPY | Kyoto Family, Narupark |
| Loss on disposals of fixed assets | 74 million JPY | G-Bldg. Kichijoji 01 etc. | 44million JPY | Etc. |

(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 Feb 2017 (30th) period (compared to actual results of Aug 2016 (29th) period)

| | (million JPY) |
|---|---------------|
| Operating revenues | -5,446 |
| ✓ Rent revenue related to disposed 3 suburban properties | -1,180 |
| ✓ Rent revenue related to disposed AEON Mall Kashiihama | -294 |
| ✓ Increased rent revenue related to the newly acquired assets | +174 |
| ✓ Absence of the gain on sale of properties | -4,839 |
| ✓ Existing assets (Penalty income+425, rent growth+229, reduced utility receivables(71), increase in other income+102) | +693 |
| Operating expenses | -5,315 |
| ✓ Expense related to disposed 3 suburban properties | -852 |
| ✓ Expense related to disposed AEON Mall Kashiihama | -79 |
| ✓ Expense related to the newly acquired assets | +47 |
| ✓ Absence of the loss on sale of properties | -5,257 |
| ✓ Existing assets (Increase in repair expense+686, Decrease in utility expense(146), Promotion expense +190, PM fee+73) | +804 |
| Operating income | -131 |
| ✓ Decrease in interest payments | -127 |
| Ordinary income | -6 |
| ✓ Absence of extraordinary losses (settlement package for reaching accommodation with tenant) | +575 |
| Net income | +568 |

Major factors behind change during Aug 2017 (31th) period (compared to forecast for Feb 2017 (30th) period)

| | (million JPY) |
|---|---------------|
| Operating revenues | -1,562 |
| ✓ Absence of the gain on sale of property: AEON Mall Kashiihama | -1,386 |
| ✓ Increase in revenue due to the completion of the renewal | +375 |
| ✓ Absence of the downtime of the renewal | -193 |
| ✓ Absence of the penalty income | -425 |
| ✓ Increase in utility | +67 |
| Operating expenses | -903 |
| ✓ Decrease in repair expense | -663 |
| ✓ Increase in utility expense | +170 |
| ✓ Decrease in Property management fee | -167 |
| ✓ Decrease in promotion expense | -112 |
| ✓ Decrease in other operating expense related to properties | -168 |
| ✓ Increase in depreciation | +35 |
| Operating income | -658 |
| ✓ Decrease in interest payments | -48 |
| Ordinary income | -610 |
| Net income | -610 |

JAPAN RETAIL FUND



Awarded in DBJ Green Building Certification program
G-bldg. Jiyugaoka 01 (Bldg. A)

1. Medium-term Target and Related Issues
2. Implementation of Growth Strategy
3. Financial Strategy
4. Financial Results and Forecasts
- 5. Sustainability Management**

Our ESG (Environmental, Social, Governance) initiatives

ESG Initiatives driven by our asset management company

MCUBS, the asset management company of JRF, has signed the UNEP Finance Initiative (UNEP FI) and UN Global Compact (UN GC) in Sep 2016.

■ UNEP Finance Initiative(UNEP FI)



The first asset management company of J-REIT to sign

- MCUBS is the 3rd Japanese company to join the Property Working Group in UNEP FI, which consist of 20 prestigious property company and financial institutions all over the world.

■ UN Global Compact(UN GC)



The first asset management company of J-REIT to sign

- UN Global compact suggests to comply with the 10 principals regarding 4 following areas:







Recognition from third parties (GRESB)

Awarded “Green Star” with 4 stars in GRESB Real Estate assessment of 2016.



Energy consumption track record ^(Note 1)

Energy consumption track record is shown in the table below.

| |  Electricity (Mwh) |  Fuel (Mwh) |  Water (thousand m) |  ^(Note 2) CO2 emission (Thousand tCO2) |
|---------|---|--|--|--|
| FY 2014 | 256,546 | 77,936 | 1,754 | 145 |
| FY 2015 | 250,305 | 77,303 | 1,709 | 142 |

DBJ Green Building Certification

In Aug 2016, G-bldg. Jiyugaoka 01 was awarded the certification for both Bldg. A and B respectively. Bldg. B is the first retail property awarded the “plan certification” under of DBJ Green building certification system.

■ G-bldg. Jiyugaoka 01(Bldg. B) 【Completion scheduled in Nov】



(Image)

■ G-bldg. Jiyugaoka 01(Bldg. A)



(Note 1) Scope is limited to the properties where we possess energy control authority and the properties where tenants provided us the dataset for energy / water consumption.

(Note 2) Emission factor for conversion is defined in Act on Promotion of Global Warming Countermeasures in Japan; CO2 emission only includes Scope 1 and 2.



Disclaimer

- The contents of this document, including summary notes, quotes, data and other information, are provided solely for informational purposes and not intended for the purpose of soliciting investment in, or as a recommendation to purchase or sell, any specific products. Please be aware that matters described herein may change or cease to exist without prior notice of any kind. This document contains forward-looking statements and anticipations of future results, based on current assumptions and beliefs in light of currently available information and resources. Risks and uncertainties, both known and unknown, including those relating to the future performance of the retail market in Japan, interest rate fluctuations, competitive scenarios, and changing regulations or taxations, may cause performance to be materially different from those explicitly or implicitly expressed in this document. With respect to any and all terms herein, including without limitation, this document, the information provided is intended to be thorough. However, no absolute assurance or warranties are given with respect to the accuracy or completeness thereof.
- Unless otherwise specified, this document was created based on Japanese accounting system.
- Neither JRF nor Mitsubishi Corp.-UBS Realty Inc. (MCUBSR) shall be liable for any errors, inaccuracies, loss or damage, or for any actions taken in reliance thereon, or undertake any obligation to publicly update the information contained in this document after the date of this document.

Asset Management Company: Mitsubishi Corp.-UBS Realty Inc.
(Financial Instrument Firm under License No. 403 of the Director of Kanto Local Finance Bureau)