

Translation

JAPAN RETAIL FUND INVESTMENT CORPORATION SUMMARY OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED AUGUST 31, 2016

October 13, 2016

Name of issuer:	Japan Retail Fund Investment Corporation ("JRF")
Stock exchange listing:	Tokyo Stock Exchange
Securities code:	8953
Website:	http://www.jrf-reit.com
Representative of JRF:	Shuichi Namba, Executive Director
Name of asset manager:	Mitsubishi Corp.-UBS Realty Inc.
Representative of the asset manager:	Toru Tsuji, President & CEO & Representative Director
Contact:	Keita Araki, Executive Officer, Head of Retail Division
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Scheduled date for filing of securities report:	November 28, 2016
Scheduled date for distributions payment:	November 18, 2016
Supplementary materials for financial results:	Otherwise prepared
Analyst meeting:	Scheduled

(Amounts of less than one million yen are rounded down)

1. Financial results for the six months ended August 31, 2016 (March 1, 2016 to August 31, 2016)

(1) Operating results

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended August 31, 2016	37,078	15.8	13,841	1.1	11,396	2.2	10,820	-0.8
February 29, 2016	32,017	3.4	13,684	6.8	11,154	9.2	10,912	1.7

	Net income per unit		Return on net assets		Ratio of ordinary income to total assets		Ratio of ordinary income to operating revenues	
	Yen	%	Yen	%	Yen	%	Yen	%
For the six months ended August 31, 2016	4,239	2.6			1.4		30.7	
February 29, 2016	4,285	2.7			1.3		34.8	

(2) Distributions

	Distributions (excluding distributions in excess of profit)		Distributions in excess of profit		Payout ratio	Ratio of distributions to net assets
	Per unit	Total	Per unit	Total		
	Yen	Millions of yen	Yen	Millions of yen	%	%
For the six months ended August 31, 2016	4,250	10,846	0	0	100.3	2.6
February 29, 2016	4,200	10,719	0	0	98.2	2.6

Note 1: Total distributions for the six months ended August 31, 2016 includes reversal of reserve for reduction entry of property amounting to ¥25 million and differs from net income.

Note 2: Payout ratio for the six months ended February 29, 2016 is calculated by following formula because new investment units were issued.

Payout ratio = Total of distributions ÷ Net income × 100

(3) Financial position

	Total assets	Net assets	Ratio of net assets to total assets	Net asset value per unit
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2016	858,390	415,274	48.4	162,712
February 29, 2016	829,239	414,705	50.0	162,489

(4) Cash flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For the six months ended August 31, 2016	16,214	(3,271)	20,079	47,488
February 29, 2016	16,402	(14,254)	(16,921)	14,466

2. Outlook for the six months ending February 28, 2017 (September 1, 2016 to February 28, 2017) and August 31, 2017 (March 1, 2017 to August 31, 2017)

(Percentages show period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Net income	
For the six months ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2017	31,631	-14.7	13,710	-0.9	11,390	-0.1	11,389	5.3
August 31, 2017	30,069	-4.9	13,051	-4.8	10,780	-5.4	10,779	-5.4

	Net income per unit		Distributions per unit (excluding distributions in excess of profit)		Distributions in excess of profit per unit	
For the six months ending	Yen		Yen		Yen	
February 28, 2017	4,462		4,250		0	
August 31, 2017	4,223		4,250		0	

Note: Total distributions for the six months ending February 28, 2017 is calculated by subtracting appropriation of reserve for dividends (or retained earnings for temporary difference adjustment) amounting to ¥543 million from net income for the period. Total distributions for the six months ending August 31, 2017 include reversal of reserve for reduction entry of property amounting to ¥30 million and reserve for dividends (or retained earnings for temporary difference adjustment) amounting to ¥36 million.

3. Others

(1) Changes in accounting policies and accounting estimates or restatements

Changes in accounting policies due to accounting standards revision: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatements: None

(2) Number of units issued

Number of units issued at end of period (including treasury units):

As of August 31, 2016 2,552,198 units

As of February 29, 2016 2,552,198 units

Number of treasury units at end of period:

As of August 31, 2016 0 units

As of February 29, 2016 0 units

Note: For the number of unit as a basis of calculation of net income per unit, please refer to per unit information on page 28.

Forward-looking Statements and Other Notes

Forward-looking statements in this presentation are based on the information currently available and certain assumptions we believe reasonable. Actual results may differ materially from the forward-looking statements in this presentation due to various factors. Furthermore, those statements do not guarantee the amount of future distributions.

For further information and assumptions regarding the forward-looking statements, please refer to “2. Management policy and results of operation, (2) State of operation, B. Outlook of next period” on page 11-13.

1. Summary of related corporations of JRF

There have not been any significant changes to the “structure of the investment corporation” in the most recent financial report (submitted on May 30, 2016), and hence, description of these matters is omitted.

2. Management policy and results of operation

(1) Management policies

“Part 1 Fund Information, Item 1. Status of the Fund, 2 Investment Policies, (1) Investment Policies, b. Investment Stance” set out in the financial report submitted on May 30, 2016 was amended as of August 29, 2016 as follows.

Unless otherwise specifically noted, terms in this document have the same meaning as in those defined in the financial report dated May 30, 2016. The underlined parts indicate changes.

(omit)

(ii) Portfolio management policies

JRF will establish optimum portfolios which are expected to provide stable cash flows on a medium-to-long term in accordance with the basic investment policy of the Investment Corporation, so that stable earnings can be ensured on a medium to long-term basis, with the steady growth of assets under management. In order to establish such optimum portfolios, The Investment Corporation will seek to reduce disaster risks caused by earthquakes etc. and vacancy risks caused by tenants moving out, through carefully selected investments in business types and categories of various retail facilities that match trends such as consumer trends as well as through diversified investments in terms of region and lessees' attribute.

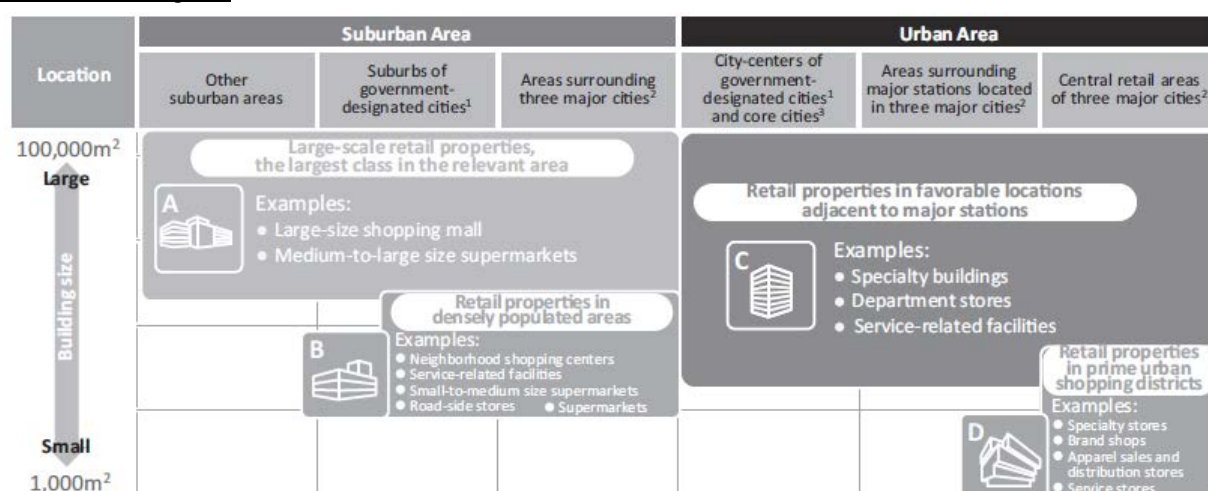
The Investment Corporation will make efforts to ascertain changes in the macroeconomic conditions, social trends, real estate market and retail industry trends, and establish optimum portfolios corresponding to such environmental changes in accordance with the basic policies.

a. Diversification by business type and business category of retail facilities

The Investment Corporation has set four classes of investment targets in consideration of various factors such as locational characteristics of the retail facilities, target trading areas and size of the retail facilities: “A. Large-scaled retail facilities which is within the largest class in the region (e.g. large-sized shopping malls and medium to large-sized shopping centers)”; “B. Retail facilities neighboring highly populated areas (e.g. neighborhood shopping centers, roadside shops and supermarkets)”; “C. Well-located retail facilities which are located adjacent to major railway stations (e.g. buildings with specialty store tenants, department stores and service industry-related facilities)”; and “D. Retail facilities in prime locations (e.g. specialty stores and brand stores)”. The Investment Corporation aims to build up well-balanced portfolios in the medium- to long-term, without relying excessively on specific investment target.

The ratio of each investment property's price shall be 20% or less of the portfolio's total amount of assets.

<Investment Targets>



b. Geographic diversification

In principle, investments are diversified mainly into urban areas of three metropolitan cities and ordinance-designated cities. The Investment Corporation will also invest in other areas, taking competitiveness of the respective investment properties and other various factors into consideration.

c. Tenants' attributes

Focus will be placed on the remaining lease term of lease contracts with each lessee and credit risk of these lessees. The remaining lease term of lease contracts is reviewed on a regular basis by taking into consideration the economic environment, and each lessee's sales and other factors. The Investment Corporation will also be on the alert for the probability of fulfillment of obligations at all times, and conduct credit checks whenever necessary.

d. Investment in overseas real estate

When investing in overseas real estate, the Investment Corporation will conduct a comprehensive examination in light of the economic growth and population trend in the relevant country and area, and its legal, taxation, accounting and political systems and cultural affinity. In addition, the Asset Manager will make investment decision carefully also in consideration of country risk, operational risk and exchange risk.

(omit)

(v) Investment and disposition policies

Asset management is conducted from the medium-to-long-term perspective, and the enhancement of asset values and sustainable improvement of competitive advantages are pursued by means of planned renovation work and invitation of new tenants. In addition, revenue expansion (i.e. increased rents, improved occupancy ratios, etc.) and cost reduction (i.e. reduction of outsourcing fees and utility expenses, etc.) are pursued.

When asset management is conducted, long lease terms are basically offered, and ensuring stable earnings is primarily pursued, with the selection of property management companies which comport with characteristics of each property, adopting the principle of competition. In addition, in accordance with characteristics of each property, lease terms are flexible, and asset management is conducted in a manner that can reflect the trends of the next age and the latest consumer needs whenever contracts with new tenants are made.

The disposition of individual real properties under management is determined in a comprehensive manner in consideration of future revenue forecasts, changes in asset values, forecasts of such changes, future prospects and stability of location areas, degraded real properties, risk of deterioration, cost estimation of such deterioration, portfolio structure, and other factors.

(vi) Financial policy

The Investment Corporation may obtain borrowings or issue corporate bonds for the purposes of acquisition and repair of properties, repayment of security and guarantee deposits, payment of distributions, and payment of expenses incurred or repayment of debts of the Investment Corporation, etc. (including the fulfillment of obligations related to borrowings and corporate bonds). The amount of 1 trillion yen is the maximum amount of borrowings and corporate bonds respectively, with the combined amount not exceeding 1 trillion yen. The Investment Corporation obtains borrowings only from qualified institutional investors as stipulated in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act (limited to institutional investors specified by Article 67-15, Paragraph 1, item 1, b (2) of the Special Taxation Measures Law (Law No. 26 of 1957, as amended).)

The Investment Corporation may pledge assets under management in connection with borrowings and corporate bond issuance.

The Investment Corporation sets 45% to 55% as current target range (hereinafter the "debt ratio") of the combined amount of outstanding balances of borrowings and corporate bonds and security and guarantee deposits that it receives (and trust assets in trust of beneficial rights that the Investment Corporation owns) against the total asset amount, taking into comprehensive consideration the prevailing trends in capital markets.

In addition to the above, the Investment Corporation has the following borrowing policy.

a. Various borrowing terms and conditions such as fixed-rate borrowing debt ratios, borrowing periods, and presence or absence of collateral setting are negotiated with multiple qualified institutional investors (i.e., potential lenders) and determined after completion of comparison of these terms and conditions, so that low financing costs can be obtained, and effects of changes in financial climate can be alleviated at the time of refinancing in the future. However, financing costs may change due to unexpected changes in economic conditions such as the cases where premature repayment fees are determined depending on interest rates valid at the time of repayment.

b. The Investment Corporation may make a contract of setting borrowing limit in advance or tentative borrowing, such as a maximum credit line agreement and commitment line agreement, for the purpose of rapidly procuring funds necessary to minimize the risk related to refinancing in the future, acquire additional specified assets in the future, and repay security and guarantee deposits.

To reduce price fluctuation risks and interest rate fluctuation risks of assets under management, the Investment Corporation may deal with interest rate futures, interest rate options transactions, interest rate

swap transactions, or forward rate agreements.

As for risks related to debts and corporate bonds, please refer to “3. Investment risks, a. Risk factors, 3) General risks related to the Investment Corporation, (b) Risks related to the financing through the issuance of new investment units, debts and corporate bonds.”

(vii) Real estate management policy

(omit)

When selecting a property management company, the Investment Corporation acquires proposals from multiple companies, holds interviews with them after receiving the proposals, and makes a selection totally considering specialized knowledge, past experience, fees and other matters. The Investment Corporation is to secure flexibility in the contract period of outsourcing service contracts, and monitors the business performance of property management companies on a regular basis, so that it can grasp the characteristics of individual properties and tenants’ needs at all times, increase revenues (i.e., increased rents and improved occupancy ratios), and reduce costs (e.g., reduction of outsourcing expenses and utility expenses).

(omit)

With respect to the remainder, there have not been any significant changes to the “investment policies,” “investment targets” and “distribution policies” in the most recent financial report (submitted on May 30, 2016), and hence, description of these matters is omitted.

(2) State of operations

A. Operations during the period

i. 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 August 31, 2016, the 14th year after its listing, in line with its asset replacement strategy, using the proceeds from the disposition, JRF acquired three properties (one of which is an additional acquisition of an existing property) in March 2016, one property (additional acquisition of an existing property) in April 2016, for a total acquisition price of 16 billion yen. In July 2016, JRF also acquired additional building of existing property and a part of land adjacent to existing property using its own funds for a total acquisition price of 100 million yen.

As a result, the total assets managed by JRF as at the end of the 29th fiscal period (fiscal period ended on August 31, 2016) amounted to 848.5 billion yen (the total acquisition price for 93 properties).

ii. Investment environment and results

(1) Investment environment

(Macroeconomic trends)

The overseas macroeconomic environment continues to have a sense of uncertainty with the economic uncertainty of China and other emerging countries, a fall in resource prices including crude oil, and the UK’s decision by referendum in June to exit the EU. Looking at domestic conditions, the purchase of the relatively safe yen and the resulting appreciation of the currency due to the ongoing unstable global economy has been anticipated to adversely affect the domestic economy. However, the current economy is recovering slowly. The real GDP growth rate rose 0.7% from the same period of the previous year, making two consecutive quarters of positive figures.

(Trends in the retail sector)

Consumer sentiment continues rather weak partly due to the unstable climates although the real wage is on an upward trend, and yet overall consumption in the current period is steady. As for inbound visitors’ consumption appetite, one of the most talked about trends in the retail industry last year, the purchase amount per person has passed its peak. Their consumption is shifting from goods to experiences, while the number of visiting foreigners is still on an upward trend and their consumption is expected to continue steadily.

(Trends in the real estate sector)

Domestic real estate transactions continue to be very strong in 2016. Land prices in commercial areas continued their rising trend according to the “Prefectural Land Price Survey (as of July 1)” released by the Ministry of Land, Infrastructure, Transport and Tourism on September 20, 2016. The survey shows land prices in the commercial districts of Osaka, Tokyo, Miyagi, Kyoto, Okinawa and Aichi in particular, as well as its growth rate, has escalated compared with the previous survey. Land price rises are accelerating overall in the three major metropolitan areas by 2.9% (2.3% in 2015) and in each of these areas as follows: 2.7% (2.3% in 2015) in Tokyo, 3.7% (2.5% in 2015) in Osaka, and 2.5% (2.2% in 2015) in Nagoya.

(2) Results

Under the market environment described above, during this fiscal period, as part of asset replacement measures which are regarded as JRF’s external growth strategy, JRF acquired three urban retail properties (50% co-ownership of G-Bldg. Ginza Chuo-dori 01, G-Bldg. Kyoto Kawaramachi 01 and G-Bldg. Shinsaibashi 04 (Building B)) using the proceeds from the disposition of five suburban retail properties in the previous period.

As of August 2 and 5, 2016, JRF completed the sale of three suburban retail properties (Kishiwada CanCan Bayside Mall, AEON MALL Higashiura and Neyagawa (land with leasehold interest)), and concluded a purchase agreement for an urban retail property (building and 40% co-ownership of the land of G-Bldg. Takadanobaba 01). As of August 31, 2016, JRF completed the disposition of 19% co-ownership of AEON MALL Kashiihama, for which a sales agreement had been concluded in the previous fiscal period.

Furthermore, as part of the measures to “improve the value of existing properties,” which is regarded as one of JRF’s growth strategies through portfolio management, JRF announced renewal plans for Nara Family and KAMISHIN PLAZA and extension plans for Ito-Yokado Yotsukaido.

After the renewal, KAMISHIN PLAZA was reopened on June 9, 2016, with greater capacity for meeting customers’ daily needs. As for Ito-Yokado Yotsukaido, a newly-added building was completed on July 12, 2016, and the acquisition was completed on the 29th of the same month.

With regard to Nara Family, the renewal plan called “Reborn Project” to transform the property into a high-quality retail property has been implemented to maximize its potential.

The occupancy rate of properties owned by JRF as at the end of the fiscal period was stably maintained. The occupancy rate for 48 urban retail properties remained at 98.4% together with a 99.5% occupancy rate maintained for 45 suburban retail properties.

As a result, the total assets managed by JRF at the end of the fiscal period totaled 93 properties with a total value of 848,515 million yen on an acquisition price basis and 907,284 million yen on an appraisal value basis. The total leasable area was 2,668,210.09 m² with the total number of tenants standing at 880, and the occupancy rate of the overall portfolio was 99.4%.

The unrealized losses/gains (Note) of the overall portfolio at the end of the fiscal period increased by 12.1 billion yen from the end of the previous fiscal period to 103.6 billion yen due to the effects of the acquisition of new properties with unrealized gains, a decrease in the cap rate of existing properties compared with the end of the previous fiscal period, as well as measures to improve the value of existing properties, and as a result of depreciations.

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

iii. Funding

During this fiscal period, JRF first took out 2.5 billion yen of short-term borrowing and 20.5 billion yen of long-term borrowing (23 billion yen in total) on March 1, 2016, 2 billion yen of long-term borrowing on March 18, 2016, and 1 billion yen of long-term borrowing on March 31, 2016. These loans were procured for acquisition of a property in February 2016 (acquisition price of 15.3 billion yen) and acquisition of three properties in March 2016 (acquisition price of 10.1 billion yen in total), which were in line with its asset replacement strategy.

Next, in order to raise partial funds for additional acquisition of existing urban property (acquisition price of 5.8 billion yen), JRF took out 5.5 billion yen of long-term borrowing on April 28, 2016. Furthermore, in order to repay the existing borrowings of 10.8 billion yen, JRF took out long-term borrowing in the amount of 10.8 billion yen on July 29, 2016.

As a result, JRF’s interest-bearing borrowings outstanding at the end of the fiscal period amounted to

380.3 billion yen, consisting of 3.5 billion yen of short-term borrowings, 339.3 billion yen of long-term borrowings (Note 1) and 37.5 billion yen of investment corporation bonds (Note 2).

Consequently, the ratio of long-term borrowings, ratio of fixed interest rates (Note 3), and LTV (Note 4) were 99.2%, 96.3% and 50.3%, respectively, as at the end of the fiscal period.

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

Note 2: Investment corporation bonds include bonds that mature within a year.

Note 3: 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 4: LTV is calculated by dividing the total of interest-bearing debts and tenant leasehold and security deposits (including those in trusts) by total assets.

iv. Results and distributions

The operating revenue for the period was 37,078 million yen, and operating income was 13,841 million yen after deducting operating expenses such as fixed property tax and asset management fees. Ordinary income was 11,396 million yen, and net income was 10,820 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 this distribution policy, total cash distributions declared for the fiscal period amounted to 10,846 million yen, after adding reversals of reserve for reduction entry of 25 million yen to unappropriated retained earnings for the fiscal period of 10,820 million yen. As a result, distribution per unit amounted to 4,250 yen.

B. Outlook of next period

i. Outlook of overall operation

Although the situation of employment and income within Japan continues to improve, there is a concern that the growing uncertainty of overseas economies such as economic downturns in China and other Asian emerging countries and resource countries as well as the Brexit issue may have an adverse effect on domestic household and corporate business confidence. Under such circumstances, the Bank of Japan announced in September 2016 the introduction of another monetary policy framework “QQE with Yield Curve Control” in order to boost inflation expectations. In the future, the Bank of Japan will seek to create an optimal yield curve to maintain the momentum toward the price stability target of 2%. Although the current personal consumption continues stable, 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 the recent announcement 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.

With respect to the leasing environment of retail properties, earnings of some retailers are robust and, although travel consumption per capita dropped, retailers still target inbound demand which remains relatively strong among overall travel consumption. JRF believes that especially in urban areas, retailers remain highly motivated to opening specialty shops and rent mainly in prime areas remain high. In the meantime, competition is increasing among retail properties in suburban areas as can be seen from certain leading retailers’ announcement of closing their stores, and JRF will keep a close watch on the competitive environment of retail properties and the supply and demand conditions for opening specialty shops.

ii. Issues to be addressed

JRF’s asset size (total acquisition price) is the largest among J-REITs specializing in retail properties as at the end of August 2016. 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 (Note) 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.

(1) 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.

(2) 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) Real Estate Assessment 2016 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 Real Estate Assessment in 2016. 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.

(3) Financial strategy

JRF constantly works to improve financial stability further.

(i) Effort to secure the financial stability

JRF built a stable financial base, founded on the mid-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

(ii) 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.

(4) 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.”

iii. Earnings forecast

With regard to the asset management operation in the fiscal period ending February, 2017 (30th fiscal period), JRF expects to post an operating revenue of 31,631 million yen, ordinary income of 11,390 million yen, and net income of 11,389 million yen with distribution per unit of 4,250 yen. Also, as to the asset management operation in August 2017 (31th fiscal period), JRF expects to post an operating revenue of 30,069 million yen, ordinary income of 10,780 million yen, and net income of 10,779 million yen with distribution per unit of 4,250 yen. Please refer to the “Assumptions Underlying the Forecast of Operation for the Fiscal Period Ending February 28, 2017 (30th Fiscal Period: September 1, 2016 to February 28, 2017) and the Fiscal Period Ending August 31, 2017 (31st Fiscal Period: March 1, 2017 to August 31, 2017)” on the following page for the assumptions of the forecast.

Note: The above forecasts are calculated based on current assumptions in light of currently available information and resources, and they are subject to change due to changes in the situation.

Note also that as described in “Assumptions Underlying the Forecast of Operation for the Fiscal Period Ending February 28, 2017 (30th Fiscal Period: September 1, 2016 to February 28, 2017) and the Fiscal Period Ending August 31, 2017 (31st Fiscal Period: March 1, 2017 to August 31, 2017)” below, JRF expects, or has conducted acquisition and disposition of properties after this fiscal period.

(1) Asset acquisition

JRF acquired and expects to acquire real estate and trust beneficiary interests in real estate outlined in the chart below using new borrowings and cash on hands. (For details of assets acquired, please refer

to the news release titled “Notice Concerning Acquisition of a Property in Sendai, Miyagi” dated December 24, 2015, “Notice Concerning Additional Acquisition of the Trust Beneficiary Interest in G-Bldg. Takadanobaba 01” dated August 2, 2016, and “Notice Concerning Acquisition of Trust Beneficiary Interest in Kasugai (Land with leasehold interest)” dated September 28, 2016.)

Property Name	Location	(Expected) Acquisition Price (¥ million)	(Expected) Acquisition Date
G-Bldg. Sendai Ichibancho 01 (building)(real estate)	Aoba-ku, Sendai-shi, Miyagi	1,500	Sep. 29, 2016 (completed)
G-Bldg. Takadanobaba 01 (40% co-ownership interest whereby the land with leasehold of the property is the trust property and the trust beneficiary right whereby the buildings of the property is the trust property)	Shinjuku-ku, Tokyo	3,545	Oct. 3, 2016 (completed)
Kasugai (land with leasehold interest) (real estate trust beneficiary interest) (Note 1)	Kasugai-shi, Aichi	6,350	Not determined yet
Total		11,395	

Note 1: The purchase and sale agreement for the co-ownership of trust beneficiary interest for the property shall apply Forward Commitment, etc. by Investment Corporation, stipulated in “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” Forward commitment, etc. referred to herein is defined as “forward dated sales contract in which settlement and delivery of property will be made at least one month after the date of contract or other similar contracts.” If the contract is cancelled, in accordance with the provisions of the agreement, the counterparty of the breaching party may claim payment of 20% of the sales value as penalty. The appraisal value as of September 28, 2016 taken from an independent appraiser is 6,420 million yen.

Note 2: Other than the above, JRF plans to acquire a building that is being reconstructed for the reconstruction project taking place at G-Bldg. Jiyugaoka 01 (Bldg. B) (expected acquisition price is 513 million yen) in November 2016.

(2) Asset disposition

JRF disposed of a trust beneficiary interest in real property outlined in the chart below. (For details of the asset disposition, please refer to the press release titled “Notice Concerning Disposition of Five Properties and Termination of Lease Accompanying Disposition” dated October 14, 2015.)

Property Name	Location	Disposition Price (¥ million)	Disposition Date
AEON MALL Kashiwhama (51% Co-ownership Interest of Trust Beneficiary Right)	Higashi-ku, Fukuoka-shi, Fukuoka	7,395	Sep. 30, 2016 (completed)

Assumptions Underlying the Forecast of Operation for the Fiscal Period Ending February 28, 2017 (30th Fiscal Period: September 1, 2016 to February 28, 2017) and the Fiscal Period Ending August 31, 2017 (31st Fiscal Period: March 1, 2017 to August 31, 2017)

Item	Assumptions
Accounting Period	<ul style="list-style-type: none"> - Fiscal period ending February 28, 2017 (30th fiscal period: September 1, 2016 to February 28, 2017) (181 days) - Fiscal period ending August 31, 2017 (31st fiscal period: March 1, 2017 to August 31, 2017) (184 days)
Assets owned	<ul style="list-style-type: none"> - The forecast was calculated based on 92 properties, after reflecting following changes to the 93 properties owned as of August 31, 2016: (i) three additional acquisition in the 30th fiscal period (of which one is an additional acquisition of building on leased land of an existing property, one is an acquisition of a new building scheduled to be built relating to a reconstruction project at an existing property and another one is an additional acquisition of 40% co-ownership of real estate trust beneficiary interest in land and real estate trust beneficiary interest in a building), and (ii) disposition of a co-ownership interest of real estate trust beneficiary right of one property. - Since the date of acquisition of Kasugai (land with leasehold interest), of which JRF announced the acquisition on September 28, 2016, is yet to be confirmed as of the date of the report, the property is not included in the assumptions of the forecasts. - This assumption may change as a result of further acquisition and disposition of properties.
Issue of units	<ul style="list-style-type: none"> - The number of units issued as at the end of the fiscal period is 2,552,198 units, assuming that there will not be any additional issuance of new investment units.
Interest-bearing debt	<ul style="list-style-type: none"> - Interest-bearing debt as of August 31, 2016 stood at 380,391 million yen. However, as a result of (i) loan agreements in the amount of 5,500 million yen that were concluded on September 9, 2016 and took effect on September 21, 2016 and September 30, 2016 and (ii) repayment of loans in the amount of 5,700 million yen, which matured on September 21, 2016 and September 30, 2016; interest-bearing debt as of the date of this document is 380,191 million yen, which comprises short-term borrowings, long-term borrowings, investment corporation bonds in the amounts of 3,500 million yen, 339,191 million yen, and 37,500 million yen, respectively. - Out of the interest-bearing debt outstanding as of the date of this document, short-term debts in the amount of 3,500 million, long-term debts in the amount of 15,600 million yen and investment corporation bonds in the amount of 15,000 million yen are to be repaid in the 30th and 31st fiscal period before maturity. We assume that we will repay part of these debts with cash on hand and repay the rest through funding including debt financing.
Operating revenues	<ul style="list-style-type: none"> - Rental and other operating revenues are calculated based on the lease contracts effective as of the date of this document. - The rent level and estimated rents for the parts of properties that are vacant are calculated taking into account the negotiations with our tenants and other relevant factors that took place until the date of this document. - We assume that there will be no arrears or nonpayment of rent by our tenants. - We assume gain on sales of property of approximately 1,386 million yen related to the disposition of “AEON MALL Kashiihama (51% of co-ownership interest of real estate trust beneficiary right)” in the 30th fiscal period.

Item	Assumptions
Operating expenses	<ul style="list-style-type: none"> - We assume that taxes and public charge of 2,653 million yen and 2,699 million yen in the 30th fiscal period and the 31st fiscal period, respectively. - Fixed asset taxes, city planning taxes and depreciable assets taxes (“fixed asset taxes, etc.”) on property owned by the Investment Corporation assessed and payable have been calculated as leasing business expenses for each accounting period. However, should any need arise for settlement, such as a need to pay fixed asset taxes, etc. in relation to new property acquisitions to be made during the year in which the period falls, fixed asset taxes, etc. are included in the acquisition price of the properties and therefore, will not be listed as expenses for the period. We assume that taxes on property and equipment which are not listed as expenses of the properties to be acquired will be 43 million yen for the 30th fiscal period. - We assume that repair and maintenance will be 906 million yen for the 30th fiscal period and 243 million yen for the 31st fiscal period. - We assume that depreciation will be 5,653 million yen for the 30th fiscal period and 5,689 million yen for the 31st fiscal period. - We assume that property management fees will be 900 million yen for the 30th fiscal period and 732 million yen for the 31st fiscal period, and building management fees will be 1,382 million yen for the 30th fiscal period and 1,384 million yen for the 31st fiscal period. - We assume that the loss on disposal of fixed assets will be 74 million yen for the 30th fiscal period, mainly due to the renewal of Narupark and the replacement of tenants at G Bldg, Kichijoji 01. The loss on disposal of fixed assets will be 44 million yen for the 31st fiscal period, mainly due to the renewal of Oyama Yuen Harvest Walk and the system update at mozo wonder city. Among the losses on disposal of fixed assets indicated above, in terms of change in accounting estimates, those for which it is judged necessary to re-examine the useful life of fixed assets are to be recorded as a depreciation expenses.
Non-operating expenses	<ul style="list-style-type: none"> - We assume that non-operating expenses (including interest expenses, loan-related costs, investment corporation bonds interest, depreciation of investment unit issuance cost, etc.) will be 2,319 million yen for the 30th fiscal period and 2,271 million yen for the 31st fiscal period.
Distribution per unit	<ul style="list-style-type: none"> - Distribution per unit is calculated in accordance with the cash distribution policy stipulated in the Articles of Incorporation of JRF. - With regard to the distribution for the 30th fiscal period, a total of 10,846 million yen (distribution of 4,250 yen per unit) is assumed to be distributed by keeping 543 million yen as an internal reserve for dividends (or a reserve for temporary difference adjustment) from retained earnings at the end of period of 11,389 million yen. JRF has tax loss carryforwards (which may be deferred until the fiscal period ending February 2020), therefore; it is assumed there will be no tax on internal reserves. - Regarding the distribution for the 31st fiscal period, a total of 10,846 million yen (distribution of 4,250 yen per unit) is assumed to be distributed by adding 36 million yen of expected reversal of the reserve for dividends (or retained earnings for temporary difference adjustment) of 3,681 million yen and 30 million yen of expected reversals of the reserve for reduction entry of property of 476 million yen to unappropriated retained earnings at the end of period of 10,779 million yen. - It is assumed that the reserve for reduction entry of property and reserve for distribution (or retained earnings for temporary difference adjustment) will be reversed in temporary expenses accompanying mainly renewals (repair and maintenance such as demolition costs, loss on retirement and compensation for relocation: 741 million yen for the 30th fiscal period and 70 million yen for the 31st fiscal period).
Distribution in excess of profit per unit	<ul style="list-style-type: none"> - We do not plan to make distributions in excess of profits for the moment.

Item	Assumptions
Other	<ul style="list-style-type: none"> - We assume that there will be no amendment of laws, accounting standards and the tax system in Japan that will impact the aforementioned forecasts and no unforeseen, significant changes will occur in general economic trends and property market movements in Japan.

3. Financial information

(1) Balance sheets

(Thousands of yen)

	As of	
	February 29, 2016	August 31, 2016
ASSETS		
Current assets:		
Cash and bank deposits	4,203,685	36,608,410
Cash and bank deposits in trust (Note 1)	10,775,701	11,393,062
Rental receivables	792,742	818,289
Income taxes receivable	953	33
Other current assets	1,276,998	1,176,099
Total current assets	17,050,081	49,995,894
Non-current assets:		
Property and equipment:		
Buildings	2,074,883	2,075,356
Accumulated depreciation	(330,423)	(364,873)
Buildings, net	1,744,459	1,710,483
Building improvements	62,787	62,787
Accumulated depreciation	(14,588)	(15,989)
Building improvements, net	48,198	46,797
Furniture and fixtures	16,555	16,555
Accumulated depreciation	(9,242)	(9,900)
Furniture and fixtures, net	7,312	6,654
Land	25,192,505	25,196,845
Construction in progress	11,880	11,880
Buildings in trust	300,772,525	289,116,758
Accumulated depreciation	(83,694,907)	(84,372,897)
Buildings in trust, net (Note 1)	217,077,618	204,743,860
Building improvements in trust	15,562,286	14,587,732
Accumulated depreciation	(5,333,136)	(4,916,139)
Building improvements in trust, net (Note 1)	10,229,150	9,671,593
Machinery and equipment in trust	2,004,065	1,992,793
Accumulated depreciation	(898,705)	(941,716)
Machinery and equipment in trust, net (Note 1)	1,105,360	1,051,077
Furniture and fixtures in trust	4,017,420	3,804,143
Accumulated depreciation	(2,487,186)	(2,435,476)
Furniture and fixtures in trust, net (Note 1)	1,530,234	1,368,667
Land in trust (Note 1)	541,684,630	550,515,834
Construction in progress in trust	1,966,218	3,956,626
Total property and equipment	800,597,569	798,280,321
Intangible assets:		
Leasehold rights in trust	6,422,075	5,259,464
Other intangible assets in trust	122,504	97,852
Total intangible assets	6,544,579	5,357,316
Investment and other assets:		
Lease deposits in trust	1,663,750	1,655,752
Long-term prepaid expenses	2,516,280	2,315,917
Other investments (Note 1)	519,356	520,232
Total investment and other assets	4,699,386	4,491,902
Total non-current assets	811,841,535	808,129,540
Deferred charges:		
Unit issuance costs	215,715	143,627
Bond issuance costs	132,488	121,559
Total deferred charges	348,203	265,186
TOTAL ASSETS	829,239,821	858,390,622

(To be continued on the following page)

(Thousands of yen)

	As of	
	February 29, 2016	August 31, 2016
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable – operating	1,824,680	2,036,787
Short-term borrowings	1,000,000	3,500,000
Current portion of long-term bonds issued – unsecured	-	15,000,000
Current portion of long-term borrowings	22,450,000	21,300,000
Accounts payable – other	14,444	16,548
Accrued expenses	2,038,565	2,126,285
Income taxes payable	519	605
Consumption tax payable	1,419,762	920,678
Rent received in advance	2,995,714	3,057,684
Deposits received	1,315,908	1,341,590
Current portion of tenant leasehold and security deposits in trust (Note 1)	830,944	831,694
Derivatives liabilities	7,636	2,674
Other current liabilities	150,213	219,641
Total current liabilities	34,048,389	50,354,191
Non-current liabilities:		
Long-term bonds issued – unsecured	37,500,000	22,500,000
Long-term borrowings	288,641,000	318,091,000
Tenant leasehold and security deposits	1,822,488	1,813,798
Tenant leasehold and security deposits in trust (Note 1)	50,179,645	48,501,536
Asset retirement obligations	479,840	483,054
Derivatives liabilities	1,831,435	1,369,454
Other non-current liabilities	31,153	3,013
Total non-current liabilities	380,485,563	392,761,857
TOTAL LIABILITIES	414,533,953	443,116,049
Net Assets (Note 4)		
Unitholders' equity:		
Unitholders' capital	387,198,507	387,198,507
Surplus:		
Capital surplus	14,986,826	14,986,826
Voluntary reserve		
Reserve for reduction entry of property	502,120	502,120
Reserve for dividends	2,944,776	3,138,254
Total voluntary reserve	3,446,897	3,640,375
Retained earnings	10,912,710	10,820,993
Total surplus	29,346,433	29,448,195
Total unitholders' equity	416,544,940	416,646,702
Valuation and translation adjustments:		
Deferred losses on hedges	(1,839,072)	(1,372,129)
Total valuation and translation adjustments	(1,839,072)	(1,372,129)
TOTAL NET ASSETS	414,705,867	415,274,573
TOTAL LIABILITIES AND NET ASSETS	829,239,821	858,390,622

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(2) Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	February 29, 2016	August 31, 2016
Operating revenues		
Rental and other operating revenues (Note 5)	31,028,581	30,851,446
Gain on sales of property (Note 6)	989,002	6,226,939
Total operating revenues	32,017,583	37,078,385
Operating expenses		
Property-related expenses (Note 5)	15,400,330	15,055,840
Loss on sales of property (Note 7)	-	5,257,909
Asset management fees	2,502,248	2,576,449
Custodian fees	29,760	29,936
General administration fees	123,716	123,872
Compensation for Directors	5,940	5,940
Other operating expenses	270,631	187,219
Total operating expenses	18,332,626	23,237,167
Operating income	13,684,957	13,841,217
Non-operating revenues		
Interest income	6,250	242
Other non-operating revenues	2,892	2,368
Total non-operating revenues	9,143	2,611
Non-operating expenses		
Interest expense	1,661,098	1,660,095
Corporate bonds interest	375,963	283,046
Amortization of bond issuance costs	10,928	10,928
Amortization of unit issuance costs	75,761	72,088
Loan-related costs	410,899	416,321
Other non-operating expenses	4,475	4,524
Total non-operating expenses	2,539,126	2,447,004
Ordinary income	11,154,974	11,396,824
Extraordinary losses		
Litigation settlement	242,060	-
Loss related settlement of rent and others (Note 8)	-	575,226
Total extraordinary losses	242,060	575,226
Income before income taxes	10,912,913	10,821,598
Income taxes		
Current	605	605
Total income taxes	605	605
Net income	10,912,308	10,820,993
Unappropriated earnings at beginning of period	401	-
Retained earnings at the end of period	10,912,710	10,820,993

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(3) Statements of changes in net assets

(Thousands of yen)

	Unitholders' equity								Valuation and translation adjustments		
	Surplus								Deferred losses on hedges	Total valuation and translation adjustments	Total net assets
	Unitholders' capital (Note 4)	Capital surplus	Voluntary reserve			Retained earnings	Total surplus	Total unitholders' equity			
			Reserve for reduction entry of property	Reserve for dividends	Total voluntary reserve						
Balance as of August 31, 2015	363,254,665	14,986,826	502,120	2,430,676	2,932,797	10,731,054	28,650,677	391,905,342	(345,675)	(345,675)	391,559,666
Changes during the period											
Issuance of new investment units	23,943,842	-	-	-	-	-	-	23,943,842	-	-	23,943,842
Appropriation of reserve for dividends	-	-	-	514,100	514,100	(514,100)	-	-	-	-	-
Cash distribution declared	-	-	-	-	-	(10,216,552)	(10,216,552)	(10,216,552)	-	-	(10,216,552)
Net income	-	-	-	-	-	10,912,308	10,912,308	10,912,308	-	-	10,912,308
Net changes of items other than unitholders' equity	-	-	-	-	-	-	-	-	(1,493,397)	(1,493,397)	(1,493,397)
Total changes during the period	23,943,842	-	-	514,100	514,100	181,656	695,756	24,639,598	(1,493,397)	(1,493,397)	23,146,201
Balance as of February 29, 2016	387,198,507	14,986,826	502,120	2,944,776	3,446,897	10,912,710	29,346,433	416,544,940	(1,839,072)	(1,839,072)	414,705,867
Changes during the period											
Appropriation of reserve for dividends	-	-	-	193,478	193,478	(193,478)	-	-	-	-	-
Cash distribution declared	-	-	-	-	-	(10,719,231)	(10,719,231)	(10,719,231)	-	-	(10,719,231)
Net income	-	-	-	-	-	10,820,993	10,820,993	10,820,993	-	-	10,820,993
Net changes of items other than unitholders' equity	-	-	-	-	-	-	-	-	466,943	466,943	466,943
Total changes during the period	-	-	-	193,478	193,478	(91,717)	101,761	101,761	466,943	466,943	568,705
Balance as of August 31, 2016	387,198,507	14,986,826	502,120	3,138,254	3,640,375	10,820,993	29,448,195	416,646,702	(1,372,129)	(1,372,129)	415,274,573

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(4) Statements of cash distributions

		(Yen)	
		For the six months ended	
		February 29, 2016	August 31, 2016
		(Note 1)	(Note 2)
I	Retained earnings at the end of period	10,912,710,342	10,820,993,154
II	Reversal of voluntary reserve		
	<i>Reversal of reserve for reduction entry of property</i>	-	25,848,346
III	Cash distribution declared	10,719,231,600	10,846,841,500
	<i>(Cash distribution declared per unit)</i>	<i>(4,200)</i>	<i>(4,250)</i>
IV	Voluntary reserve		
	<i>Reserve for dividends</i>	193,478,742	-
V	Retained earnings carried forward	-	-

Note 1: 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 a portion of gain on sales of property amounting to ¥193,478,742 from retained earnings at end of the period of ¥10,912,710,342 to reserve for dividends and declared a total of ¥10,719,231,600 for cash distributions which is all of the remaining retained earnings. JRF generally does not make distribution in excess of profit prescribed in the article of incorporation 26, Paragraph 2.

Note 2: 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, a total of cash distributions declared for the six months ended amounted to ¥10,846,841,500 consisted of all of retained earnings at end of the period of ¥10,820,993,154 and reversal of reserve for reduction entry of property of ¥25,848,346. JRF generally does not make distribution in excess of profit prescribed in the article of incorporation 26, Paragraph 2.

(5) Statements of cash flows

(Thousands of yen)

	For the six months ended	
	February 29, 2016	August 31, 2016
Cash Flows from Operating Activities:		
Income before income taxes	10,912,913	10,821,598
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation	6,138,895	6,017,065
Amortization of bond issuance costs	10,928	10,928
Amortization of unit issuance costs	75,761	72,088
Gain on sales of property	(989,002)	(6,226,939)
Loss on sales of property	-	5,257,909
Loss on disposal of fixed assets	64,841	45,538
Interest income	(6,250)	(242)
Interest expense	2,037,061	1,943,141
Litigation settlement	242,060	-
Loss related settlement of rent and others	-	575,226
Changes in assets and liabilities:		
Decrease (increase) in Rental receivables	87,273	(25,546)
(Increase) decrease in Income taxes receivable	(413)	920
Decrease in Long-term prepaid expenses	192,696	200,362
(Decrease) increase in Accounts payable - operating	(194,851)	259,830
Increase (decrease) in Consumption tax payable	297,280	(499,084)
Increase in Accounts payable - other	3,877	2,104
(Decrease) increase in Accrued expenses	(39,746)	67,168
Increase in Rent received in advance	9,050	61,970
Increase in Deposits received	238,893	25,682
Other, net	(292,645)	102,977
Sub total	18,788,623	18,712,700
Interest received	6,250	242
Interest expenses paid	(2,108,836)	(1,922,589)
Payments for litigation settlement	(282,996)	-
Payments for settlement of rent and others	-	(575,226)
Income taxes paid	(513)	(519)
Net cash provided by operating activities	16,402,527	16,214,607
Cash Flows from Investing Activities:		
Proceeds from withdrawal of time deposits	1,500,000	-
Purchase of property and equipment	(2,954,169)	(4,837)
Purchase of property and equipment in trust	(63,583,478)	(20,107,303)
Proceeds from sales of property and equipment in trust	58,158,048	18,496,111
Purchase of intangible assets in trust	(46,682)	(1,100)
Proceeds from sales of intangible assets in trust	228,503	-
Payments of tenant leasehold and security deposits	(59,398)	(24,697)
Proceeds from tenant leasehold and security deposits	100,091	5,570
Payments of tenant leasehold and security deposits in trust	(10,060,613)	(2,227,874)
Proceeds from tenant leasehold and security deposits in trust	2,467,526	585,124
Payments of lease deposits in trust	(60)	(349)
Proceeds from lease deposits in trust	44,674	7,761
Payments for restricted bank deposits in trust	(57)	-
Other expenditures	(48,705)	(290)
Net cash used in investing activities	(14,254,320)	(3,271,885)
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	5,500,000	2,500,000
Repayments of short-term borrowings	(7,500,000)	-
Proceeds from long-term borrowings	22,000,000	39,850,000
Repayments of long-term borrowings	(40,500,000)	(11,550,000)
Redemption of corporate bonds	(10,000,000)	-
Proceeds from issuance of investment units	23,799,433	-
Distribution payments	(10,220,638)	(10,720,636)
Net cash (used in) provided by financing activities	(16,921,204)	20,079,363
Net change in cash and cash equivalents	(14,772,997)	33,022,084
Cash and cash equivalents at beginning of period	29,239,211	14,466,214
Cash and cash equivalents at end of period (Note 9)	14,466,214	47,488,299

The accompanying notes in sections (6), (7) and (8) below are an integral part of these statements.

(6) Note relating to going concern assumption

Nothing to be noted.

(7) Summary of significant accounting policies

(a) 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

(b) Other intangible assets in trust

Other intangible assets in trust are amortized on a straight-line basis.

(c) Leased assets

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.

(d) Long-term prepaid expenses

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

(e) Unit issuance costs

Unit issuance costs are capitalized and amortized on a straight-line basis over three years.

(f) Bond issuance costs

Bond issuance costs are capitalized and amortized on a straight-line basis over the maturity period of the bonds issued.

(g) Taxes on property and equipment

Property and equipment are subject to various taxes, such as property taxes and urban planning taxes on 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 disposal is liable for these taxes on the property from the date of disposal 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 accounting principles and practices generally accepted in Japan ("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 ¥50,096 thousand and ¥65,523 thousand for the six months ended February 29, 2016 and August 31, 2016, respectively.

(h) Hedge accounting

In accordance with JRF's risk management policy and its internal rules, JRF uses derivative instruments for the purpose of hedging risks that are prescribed in JRF's article of incorporation. JRF hedges fluctuations in interest rates of borrowings through the use of interest rate swaps as hedging instruments and deferred hedge accounting is generally used for such interest rate swaps. 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.

JRF applies, however, the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, 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 evaluated separately. The assessment of hedge effectiveness is not performed when the interest rate swaps meet the specific criteria required for such special treatment.

(i) Cash and cash equivalents

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.

(j) 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 JRF 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 JRF in proportion to the percentage interest that such trust beneficiary interest represents.

(k) Consumption tax

Consumption taxes withheld and consumption taxes paid are not included in the statements of income and retained earnings. The 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.

(8) Notes to financial information

Note 1 — Collateral

The carrying amounts of assets stated below were pledged as collateral to secure tenant leasehold and security deposits in trust totaling ¥24,312,376 thousand and ¥24,237,751 thousand as of February 29, 2016 and August 31, 2016, respectively.

	(Thousands of yen)	
	As of	
	February 29, 2016	August 31, 2016
Cash and bank deposits in trust	513,173	513,173
Buildings in trust	69,963,276	68,792,026
Buildings improvements in trust	3,746,091	3,632,089
Machinery and equipment in trust	260,018	288,020
Furniture and fixtures in trust	377,191	346,981
Land in trust	168,544,020	166,984,099
Construction in progress in trust	-	1,696,988
Other	519,256	519,256
Total	243,923,028	242,772,634

Certain lands and buildings included in the above table were pledged as collateral to secure co-owner's payment of tenant leasehold and security deposits for amounts of ¥691,908 thousand and a former owner's payment of retirement benefit obligation for amounts of ¥350,000 thousand as of February 29, 2016 and August 31, 2016.

Note 2 — Reduction Entry for Property

Acquisition costs of certain properties were reduced by government subsidies received. The amounts of such reduction were as follows:

	(Thousands of yen)	
	For the six months ended	
	February 29, 2016	August 31, 2016
Machinery and equipment in trust	-	23,034

Note 3 — Credit facilities and commitment lines

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

	(Thousands of yen)	
	As of	
	February 29, 2016	August 31, 2016
Credit facilities		
Total amount of credit facilities	35,500,000	35,500,000
Borrowings drawn down	-	-
Unused credit facilities	35,500,000	35,500,000
Commitment lines		
Total amount of committed lines of credit	60,000,000	60,000,000
Borrowings drawn down	-	-
Unused committed lines of credit	60,000,000	60,000,000

Note 4 — Net assets

(1) Number of units

	As of	
	February 29, 2016	August 31, 2016
Authorized	8,000,000 units	8,000,000 units
Issued and outstanding	2,552,198 units	2,552,198 units

(2) JRF is required to maintain net assets of at least ¥50,000 thousand in accordance with the Act on Investment Trusts and Investment Corporations of Japan.

Note 5 — 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 February 29, 2016 and August 31, 2016 consist of the following:

	(Thousands of yen)	
	For the six months ended	
	February 29, 2016	August 31, 2016
Rental and other operating revenues:		
Rental and parking revenue	27,382,529	26,972,997
Common area charges	1,502,484	1,466,745
Other	2,143,567	2,411,703
Total rental and other operating revenues	31,028,581	30,851,446
Property-related expenses:		
Property management fees	805,402	865,681
Facility management fees	1,476,634	1,464,603
Utilities	1,749,083	1,696,436
Property-related taxes	2,803,343	2,814,456
Repair and maintenance	346,656	227,199
Insurance	53,733	44,326
Trust fees	87,616	76,409
Rent expense	889,261	856,877
Other	984,921	947,305
Depreciation	6,138,834	6,017,005
Loss on disposal of property	64,841	45,538
Total property-related expenses	15,400,330	15,055,840
Operating income from property leasing activities	15,628,251	15,795,605

Note 6 — Analysis of gain on sales of property

Analysis of gain on sales of property is as follows:

	(Thousands of yen)	
	For the six months ended	
	February 29, 2016	August 31, 2016
Sale of land and building	58,417,000	16,625,000
Cost of land and building	(57,397,550)	(10,372,037)
Other sales expenses	(30,447)	(26,023)
Gain on sales of property, net	989,002	6,226,939

Note 7 — Analysis of loss on sales of property

Analysis of loss on sales of property is as follows:

	(Thousands of yen)	
	For the six months ended	
	February 29, 2016	August 31, 2016
Sale of land and building	-	1,900,000
Cost of land and building	-	(7,155,044)
Other sales expenses	-	(2,865)
Loss on sales of property, net	-	(5,257,909)

Note 8 — Loss related settlement of rent and others

Loss related settlement of rent and others for the six months ended August 31, 2016 is the amount equivalent to the difference between current rent and reduced rent of a large tenant. Further information is not disclosed because the consent from the tenant has not been obtained.

Note 9 — Cash and cash equivalents

Cash and cash equivalents shown in the statements of cash flows consist of the following:

(Thousands of yen)

	As of	
	February 29, 2016	August 31, 2016
Cash and bank deposits	4,203,685	36,608,410
Cash and bank deposits in trust	10,775,701	11,393,062
Restricted bank deposits in trust ⁽ⁱ⁾	(513,173)	(513,173)
Cash and cash equivalents	14,466,214	47,488,299

Note:

(i) The usage of the bank deposits in trust is restricted to repayments of tenant leasehold and security deposits.

Note 10 — Lease rental revenues**(a) Lease rental revenues**

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

(Thousands of yen)

	As of	
	February 29, 2016	August 31, 2016
Due within one year	27,989,536	23,761,293
Due after one year	103,937,119	96,840,972
Total	131,926,656	120,602,265

(b) Lease commitments

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 mainly furniture and fixtures in trust.

Note 11 — Financial instruments**(a) Qualitative information for financial instruments****(i) Policy for financial instrument transactions**

JRF 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 JRF'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 the 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 rate are subject to fluctuations in market interest rates, JRF maintains an appropriate level of liabilities ratio in order to manage its exposure to the potential rise in 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 JRF's risk management policy and internal rules, JRF uses derivative instruments for the purpose of hedging risks that are prescribed in JRF'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 February 29, 2016 and August 31, 2016.

	As of February 29, 2016			As of August 31, 2016		
	Carrying amounts	Fair value	Unrealized gain (loss)	Carrying amounts	Fair value	Unrealized gain (loss)
(1) Cash and bank deposits	4,203,685	4,203,685	-	36,608,410	36,608,410	-
(2) Cash and bank deposits in trust	10,775,701	10,775,701	-	11,393,062	11,393,062	-
Total assets	14,979,387	14,979,387	-	48,001,472	48,001,472	-
(1) Short-term borrowings	1,000,000	1,000,000	-	3,500,000	3,500,000	-
(2) Current portion of long-term bonds issued	-	-	-	15,000,000	15,226,350	(226,350)
(3) Current portion of long-term borrowings	22,450,000	22,571,783	(121,783)	21,300,000	21,308,987	(8,987)
(4) Current portion of tenant leasehold and security deposits in trust	830,944	843,362	(12,418)	831,694	843,726	(12,032)
(5) Long-term bonds issued	37,500,000	39,092,000	(1,592,000)	22,500,000	23,579,080	(1,079,080)
(6) Long-term borrowings	288,641,000	295,551,076	(6,910,076)	318,091,000	323,994,957	(5,903,957)
(7) Tenant leasehold and security deposits in trust	3,486,936	3,718,476	(231,539)	3,407,812	3,628,773	(220,961)
Total liabilities	353,908,881	362,776,699	(8,867,818)	384,630,506	392,081,875	(7,451,368)
Derivatives (derivatives liabilities), net	(1,839,072)	(1,839,072)	-	(1,372,129)	(1,372,129)	-

Note (i): The methods and assumptions used to estimate fair value and the matters relating to derivatives are as follows:

Assets

(1) *Cash and bank deposits and (2) Cash and bank deposits in trust*

The carrying amounts of cash and bank deposits and those in trust are deemed to approximate their fair value.

Liabilities

(1) *Short-term borrowings*

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

(2) *Current portion of long-term bonds issued and (5) Long-term bonds issued*

The fair value is the quoted price provided by financial market information provider.

(3) *Current portion of long-term borrowings and (6) 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 which qualify for hedge accounting and meet special criteria, the fair value of the hedged long-term borrowing 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 which 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.

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

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

Derivatives

Please refer to "Note 13—Derivatives".

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

	As of	
	February 29, 2016	August 31, 2016
Tenant leasehold and security deposits	1,822,488	1,813,798
Tenant leasehold and security deposits in trust	46,692,708	45,093,724
Total	48,515,197	46,907,523

Tenant lease hold and security deposits and those in trust 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.

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

							(Thousands of yen)
As of February 29, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	
Cash and bank deposits	4,203,685	-	-	-	-	-	
Cash and bank deposits in trust	10,775,701	-	-	-	-	-	
Total	14,979,387	-	-	-	-	-	
As of August 31, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	
Cash and bank deposits	36,608,410	-	-	-	-	-	
Cash and bank deposits in trust	11,393,062	-	-	-	-	-	
Total	48,001,472	-	-	-	-	-	

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

(Thousands of yen)

As of February 29, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	1,000,000	-	-	-	-	-
Current portion of long-term borrowings	22,450,000	-	-	-	-	-
Current portion of tenant leasehold and security deposits in trust	752,444	-	-	-	-	-
Long-term bonds issued	-	15,000,000	-	-	-	22,500,000
Long-term borrowings	-	24,300,000	43,766,000	49,500,000	44,575,000	126,500,000
Tenant leasehold and security deposits in trust	-	668,999	668,999	615,249	540,000	540,000
Total	24,202,444	39,968,999	44,434,999	50,115,249	45,115,000	149,540,000
As of August 31, 2016	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	3,500,000	-	-	-	-	-
Current portion of long-term bonds issued	15,000,000	-	-	-	-	-
Current portion of long-term borrowings	21,300,000	-	-	-	-	-
Current portion of tenant leasehold and security deposits in trust	752,444	-	-	-	-	-
Long-term bonds issued	-	-	-	-	-	22,500,000
Long-term borrowings	-	48,166,000	49,000,000	45,500,000	38,575,000	136,850,000
Tenant leasehold and security deposits in trust	-	668,999	668,999	550,750	540,000	540,000
Total	40,552,444	48,834,999	49,668,999	46,050,750	39,115,000	159,890,000

Note 12 — Securities

JRF has no security to be disclosed as of February 29, 2016 and August 31, 2016.

Note 13 — Derivatives

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

As of February 29, 2016

(Thousands of yen)

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts ⁽ⁱⁱ⁾		Fair value	Valuation method
				Over 1 year		
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term borrowings	132,575,000	127,075,000	(1,839,072)	(iii)
Special treatment for hedge accounting of interest rate swaps ⁽ⁱ⁾	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term borrowings	118,500,000	113,500,000	- ⁽ⁱ⁾	-
Total			251,075,000	240,575,000	(1,839,072) ⁽ⁱ⁾	-

As of August 31, 2016

(Thousands of yen)

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts ⁽ⁱⁱ⁾		Fair value	Valuation method
				Over 1 year		
Deferred hedge accounting	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term borrowings	132,575,000	127,075,000	(1,372,129)	(iii)
Special treatment for hedge accounting of interest rate swaps ⁽ⁱ⁾	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term borrowings	127,500,000	122,500,000	- ⁽ⁱ⁾	-
Total			260,075,000	249,575,000	(1,372,129) ⁽ⁱ⁾	-

Note:

- As disclosed in “(7) Summary of significant accounting policies (h) Hedge accounting”, JRF applies the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under swap contracts, and not the fair value of the derivative, is determined separately from the hedged asset or liability. Consequently, the fair value of the interest rate swaps as the hedging instrument and the long-term borrowings as hedged item is calculated together as one and disclosed as such under Note (i) in “Note 11 Financial instruments (b) Quantitative information for financial instruments”.
- The notional amounts relating to the derivatives do not, by themselves, represent the market risk exposure associated with the derivative transactions.
- The fair value is evaluated at the amount calculated by the counterparty to the interest rate swaps contracts.
- For the six months ended February 29, 2016, the interest rate swaps contracts totaling of ¥7,000 million in notional amounts entered into on February 26, 2016 which are subject to the special treatment provided under Japanese GAAP for the interest rate swaps are not included in the above table. The interest rate swaps contracts are designated as hedging instruments for specific long-term borrowings funded on March 1, 2016.

Note 14 — Related-party transaction

There was no related-party transaction to be disclosed for the six months ended February 29, 2016 and August 31, 2016.

Note 15 — Income taxes

Deferred tax assets and liabilities consist of the following:

(Thousands of yen)

	As of	
	February 29, 2016	August 31, 2016
Deferred tax assets:		
Current:		
Tax loss carryforwards	2,715,003	2,589,373
Other	2,467	848
Sub total	2,717,470	2,590,221
Valuation allowance	(2,717,470)	(2,590,221)
Total current deferred tax assets	-	-
Non-current:		
Amortization of leasehold rights	58,630	67,032
Depreciation	58,198	99,759
Asset retirement obligations	155,036	152,210
Valuation differences on assets acquired through merger	5,504,133	5,362,501
Derivatives liabilities	591,736	431,515
Other	7,910	28,511
Sub total	6,375,646	6,141,530
Valuation allowance	(6,375,646)	(6,141,530)
Total non-current deferred tax assets	-	-
Total deferred tax assets	-	-
Net deferred tax assets	-	-

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

(%)

	For the six months ended	
	February 29, 2016	August 31, 2016
Statutory tax rate	32.31	32.31
Deductible cash distributions	(31.74)	(32.39)
Change in valuation allowance (for deferred tax assets)	(0.59)	(1.67)
Change in tax rate	-	1.76
Other	0.03	0.00
Effective tax rate	0.01	0.01

Note 16 — Asset retirement obligations

JRF 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 JRF, 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 February 29, 2016 and August 31, 2016 are as follows:

(Thousands of yen)

	For the six months ended	
	February 29, 2016	August 31, 2016
Balance at the beginning of the period	476,700	479,840
Adjustment for passage of time	3,139	3,214
Balance at the end of the period	479,840	483,054

Note 17 — Fair value of investment and rental property

JRF has mainly retail facilities as investment assets which are located mainly in three major metropolitan areas and other metropolitan areas in Japan. 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 February 29, 2016 and August 31, 2016.

	(Thousands of yen)	
	For the six months ended	
	February 29, 2016	August 31, 2016
Net book value⁽ⁱ⁾		
Balance at the beginning of the period	803,103,935	807,141,977
Net increase during the period ⁽ⁱⁱ⁾	4,038,042	(3,504,450)
Balance at the end of the period	807,141,977	803,637,527
Fair value⁽ⁱⁱⁱ⁾	898,682,000	907,284,000

Note:

(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):

	Increase (decrease) in net book value
	(Thousands of yen)
For the six months ended February 29, 2016:	
Acquisitions:	
G-Bldg. Kichijoji 02.....	15,429,220
G-Bldg. Umeda 01.....	9,822,439
G-Bldg. Akihabara 01.....	5,037,820
G-Bldg. Abeno 01.....	4,338,650
G-Bldg. Sendai Ichibancho 01.....	2,937,719
G-Bldg. Akihabara 02.....	2,530,533
Takadanobaba (Land with leasehold interest).....	2,509,525
G-Bldg. Shinsaibashi 04.....	2,448,900
mozo wonder city (additional acquisition of interest of quasi-co-ownership).....	11,921,086
G-Bldg. Minami Aoyama 01 (additional acquisition of interest of quasi-co-ownership).....	3,693,116
DFS T GALLERIA OKINAWA (additional acquisition of interest of quasi-co-ownership).....	2,573,689
Capital expenditures:	
Construction for activating plan of mozo wonder city	1,724,183
Total of capital expenditures for the period (including above expenditure).....	3,556,670
Disposition:	
AEON MALL Yachiyo Midorigaoka.....	27,944,100
AEON Nishi-Otsu.....	12,194,318
AEON Ueda.....	7,997,772
AEON Omiya.....	5,744,522
AEON MALL Kashiihama (partial disposition of interest of quasi-co-ownership).....	3,516,835
For the six months ended August 31, 2016:	
Acquisitions:	
G-Bldg. Ginza Chuo-dori 01.....	13,134,555
G-Bldg. Kyoto Kawaramachi 01.....	2,215,740
G-Bldg. Shinsaibashi 04.....	865,812
Ito-Yokado Yotsukaido.....	147,013
G-Bldg. Minami Aoyama 01.....	6,772
Capital expenditures:	
Renewal of disaster prevention equipment of Nara Family.....	285,399
Total of capital expenditures for the period (including above expenditure).....	1,675,284
Disposition:	
Kishiwada CanCan Bay side Mall.....	7,162,702
AEON MALL Higashiura.....	7,014,074
Neyagawa (Land with leasehold interest).....	1,154,527
AEON MALL Kashiihama (partial disposition of interest of quasi-co-ownership).....	2,203,434

(iii) Fair value has been determined based on independent real estate appraisers. For AEON MALL Kashiihama sold on October 15, 2015, the selling price is used.

For rental revenues and expenses for the six months ended February 29, 2016 and August 31, 2016, please refer to “Note 5 — Analysis for rental and other operating revenues and property-related expenses”.

Note 18 — Segment information

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

(a) Operating segment information

Disclosure is omitted as JRF 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

(Thousands of yen)

Name of customer	Revenues for the six months ended		Related segment
	February 29, 2016	August 31, 2016	
Not disclosed ⁽ⁱ⁾	-	5,117,487	Property rental business
AEON Retail Co., Ltd.	3,840,084	3,756,777	Property rental business
AEON Mall Co., Ltd.	3,835,194	3,412,212	Property rental business

Note:

(i) Name of customer is not disclosed because the consent from the customer has not been obtained. The customer is not related parties or interested parties under the Investment Act.

Note 19 — Per unit information

The net asset value per unit as of February 29, 2016 and August 31, 2016 was ¥162,489 and ¥162,712, respectively. Net income per unit for the six months ended February 29, 2016 and August 31, 2016 was ¥4,285 and ¥4,239, respectively.

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.

Diluted net income per unit is not disclosed because dilutive potential units are not issued.

A basis of calculation of net income per unit is as follows:

(Thousands of yen)

	For the six months ended	
	February 29, 2016	August 31, 2016
Net income	10,912,308	10,820,993
Effect of dilutive unit	-	-
Net income available to common unitholders	10,912,308	10,820,993
Weighted-average number of units outstanding for the period	2,546,450 units	2,552,198 units

Note 20 — Subsequent events

None

(9) Changes in unit issued and outstanding

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).

4. Changes in officers

Changes in officers had been otherwise disclosed under the rule of timely disclosure.

5. Additional information

(1) Composition of assets

Classification of Assets	Region	As of February 29, 2016		As of August 31, 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	17,118	2.1	17,088	2.0
	Osaka and Nagoya metropolitan areas	6,936	0.8	6,930	0.8
	Other metropolitan areas	2,949	0.3	2,953	0.3
	Sub-total	27,004	3.2	26,972	3.1
Trust beneficial interest in real property	Tokyo metropolitan area	374,518	45.2	386,815	45.1
	Osaka and Nagoya metropolitan areas	315,719	38.1	303,008	35.3
	Other metropolitan areas	89,899	10.8	86,840	10.1
	Sub-total	780,137	94.1	776,664	90.5
Sub-total		807,141	97.3	803,637	93.6
Bank deposits and other assets		22,097	2.7	54,753	6.4
Total assets		829,239	100.0	858,390	100.0
Total liabilities (Note 2)		414,533	50.0	443,116	51.6
Total net assets		414,705	50.0	415,274	48.4

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.

Note 2 Total liabilities include tenant leasehold and security deposits and those in trust.

(2) Outline of portfolio properties

The principal properties (top ten properties in net book value) as of August 31, 2016 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m ²)	Leased area (Note 2) (m ²)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
mozo wonder city (Note 4) (trust beneficial interest)	54,816	86,727.87	86,727.87	100.0	10.8	Retail facilities
Higashi-Totsuka Aurora City (trust beneficial interest)	46,666	109,365.50	109,365.50	100.0	4.4	Retail facilities
Nara Family (Note 4) (trust beneficial interest)	34,360	82,791.74	72,051.74	87.0	5.7	Retail facilities
KAWASAKI Le FRONT (trust beneficial interest)	30,309	56,131.21	54,417.99	96.9	5.7	Retail facilities
AEON MALL Musashi Murayama (trust beneficial interest)	26,844	137,466.97	137,466.97	100.0	3.0	Retail facilities
AEON MALL Tsurumi Ryokuchi (trust beneficial interest)	24,967	138,538.63	138,538.63	100.0	2.9	Retail facilities
G-Bldg. Shinsaibashi 03 (Note 5) (trust beneficial interest)	22,252	4,631.13	4,631.13	100.0	-	Retail facilities
GYRE (trust beneficial interest)	21,832	4,815.02	4,815.02	100.0	1.8	Retail facilities
AEON MALL Itami (trust beneficial interest)	19,165	157,904.26	157,904.26	100.0	1.9	Retail facilities
Kawaramachi OPA (trust beneficial interest)	18,334	18,848.20	18,848.20	100.0	1.2	Retail facilities
Total	299,550	797,220.53	784,767.31	98.4	-	

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.

The retail facilities as of August 31, 2016 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	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	5,231
G-Bldg. Daikanyama 01	35-17, Ebisu-Nishi 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	599.79	1,480	1,221
GYRE	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,815.02	25,800	21,832
Bic Camera Tachikawa	12-2, Akebonocho 2-chome, Tachikawa-shi, Tokyo, etc.	Trust beneficial interest	20,983.43	19,700	13,234
G-Bldg. Kita Aoyama 01	14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo	Trust beneficial interest	492.69	1,520	942
G-Bldg. Jiyugaoka 01 (Note 4)	9-17, Jiyugaoka 2-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	1,358.82	3,851	2,566
Cheers Ginza	9-5, Ginza 5-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,686.58	4,220	3,961
G-Bldg. Jingumae 06	28-3, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	670.43	2,600	2,347
G-Bldg. Jingumae 01	21-5, Jingumae 4-chome, Shibuya-ku, Tokyo	Real property	555.75	4,030	3,396
G-Bldg. Jingumae 02	9-9, Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	426.29	1,700	2,292
G-Bldg. Minami Aoyama 01	4-48, Minami Aoyama 5-chome, Minato-ku, Tokyo, etc.	Trust beneficial interest	1,592.90	8,860	10,115
La Porte Aoyama (Note 5)	51-8, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,153.44	10,600	9,331
G-Bldg. Shinjuku 01	1-8, Shinjuku 4-chome, Shinjuku-ku, Tokyo	Trust beneficial interest	1,093.67	7,950	6,584
G-Bldg. Jingumae 03	30-12, Jingumae 3-chome, Shibuya-ku, Tokyo	Real property	1,676.87	3,970	5,470
G-Bldg. Minami-Ikebukuro 01 (Note 5)	19-5, Minami-Ikebukuro 1-chome, Toshima-ku, Tokyo	Trust beneficial interest	5,061.47	7,960	6,173
Urban Terrace Jingumae	47-6, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,719.19	4,900	2,768
Arkangel Daikanyama (Land with leasehold interest)	111-14, Aobadai 1-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	904.04	2,540	1,842
G-Bldg. Omotesando 01	1-9, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	1,508.03	7,520	5,872
Round1 Yokohama Station West	8-16, Minamisaikai 2-chome, Nishi-ku Yokohama-shi, Kanagawa	Trust beneficial interest	6,560.09	4,990	3,838
G-Bldg. Sangenjaya 01	15-4, Taishido 2-chome, Setagaya-ku, Tokyo	Trust beneficial interest	3,471.52	5,910	3,676
G-Bldg. Ginza 01	5-1, Ginza 6-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,610.54	9,070	5,580
KAWASAKI Le FRONT	1-11, Nissincho, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc.	Trust beneficial interest	56,131.21	37,300	30,309
G-Bldg. Shibuya 01	20-13 Jinnan 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,582.08	4,030	3,206
G-Bldg. Omotesando 02	25-15 Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	5,555.65	21,050	17,829
G-Bldg. Kichijoji 01	12-12, Kichijoji Honcho 2-chome, Musashino-shi, Tokyo	Trust beneficial interest	1,512.03	3,950	3,579

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
CUTE CUBE HARAJUKU	7-1, Jingumae 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,428.54	9,530	8,561
G-Bldg. Ueno 01	9-14 Ueno 4-chome, Taito-ku, Tokyo	Trust beneficial interest	1,471.80	3,630	3,448
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 01	11-11, Sotokanda 1-chome, Chiyoda-ku, Tokyo	Trust beneficial interest	2,701.99	5,290	5,025
G-Bldg. Akihabara 02	113, Kanda Matsunaga-cho, Chiyoda-ku, Tokyo, etc.	Trust beneficial interest	1,053.55	2,670	2,521
G-Bldg. Kichijoji 02	3-13, Kichijoji Minamicho 2-chome, Musashino-shi, Tokyo	Trust beneficial interest	8,838.79	16,200	15,420
G-Bldg. Ginza Chuo-dori 01	6-16 Ginza 2-chome, Chuo-ku, Tokyo	Trust beneficial interest	3,141.07	13,300	13,121
Ito-Yokado Kawasaki	2-1, Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc.	Trust beneficial interest	65,313.47	13,560	13,999
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-shi, Chiba	Trust beneficial interest	43,495.98	12,700	9,457
Ito-Yokado Yabashira	15-8, Higurashi 1-chome, Matsudo-shi, Chiba, etc.	Trust beneficial interest	21,308.78	1,980	1,339
Ito-Yokado Kamifukuoka Higashi	1-30, Ohara 2-chome, Fujimino-shi, Saitama	Trust beneficial interest	28,316.18	5,850	6,026
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-shi, Saitama	Trust beneficial interest	73,438.52	14,200	10,567
Ito-Yokado Tsunashima	8-1, Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	16,549.50	5,010	4,657
AEON Itabashi Shopping Center	6-1, Tokumaru 2-chome, Itabashi-ku, Tokyo	Trust beneficial interest	72,748.34	12,900	10,899
AEON MALL Yamato	2-6, Shimotsuruma 1-chome, Yamato-shi, Kanagawa	Trust beneficial interest	85,226.68	17,900	15,474
SEIYU Hibarigaoka	9-8, Sumiyoshicho 3-chome, Nishi-Tokyo-shi, Tokyo	Trust beneficial interest	19,070.88	7,290	4,877
Higashi-Totsuka Aurora City	537-1, Shinanochi, Totsuka-ku, Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	109,365.50	42,800	46,666
Ito-Yokado Yotsukaido	5, Chuo, Yotsukaido-shi, Chiba	Trust beneficial interest	59,762.30	11,200	12,823
AEON MALL Musashi Murayama	1-3, Enoki 1-chome, Musashimurayama-shi, Tokyo	Trust beneficial interest	137,466.97	31,300	26,844
Makuhari Plaza	7701, Makuharicho 2-chome, Hanamigawa-ku, Chiba-shi, Chiba	Trust beneficial interest	24,505.37	6,770	5,552
Round1 Machida	13-14, Morino 1-chome, Machida-shi, Tokyo	Trust beneficial interest	6,801.89	3,150	2,353
Round1 Stadium Itabashi	16-13, Aioicho, Itabashi-ku, Tokyo	Trust beneficial interest	14,828.74	3,200	2,279
Summit Store Nakano Minamidai	26-2, Minamidai 5-chome, Nakano-ku, Tokyo	Trust beneficial interest	3,536.50	3,390	3,087
Colline Bajikouen	4-18, Kamiyoga 2-chome, Setagaya-ku, Tokyo	Trust beneficial interest	5,368.02	3,990	3,184
8953 Osaka Shinsaibashi Building	4-12, Minami Senba 3-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	13,666.96	15,700	12,379

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
Kawaramachi OPA	385, Komeyacho, Shijo-agaru, Kawaramachi-dori, Nakagyō-ku, Kyōto-shi, Kyōto	Trust beneficial interest	18,848.20	15,800	18,334
G-Bldg. Shinsaibashi 01	5-3, Sinsaibashi-suji 2-chome, Chuō-ku, Osaka-shi, Osaka	Trust beneficial interest	886.46	2,520	1,596
Round1 Stadium Sennichimae (Land with leasehold interest)	1, Namba 1-chome, Chuo-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	1,711.63	10,200	8,091
G-Bldg. Shinsaibashi 02 (Note 6)	3-24, Shinsaibashi-suji 1-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	-	5,340	4,334
Round1 Kyoto Kawaramachi	585, Uraderacho, Shijo-agaru yori Rokkaku-sagaru made, Teramachi-dori, Nakagyō-ku, Kyōto-shi, Kyōto, etc.	Trust beneficial interest	8,821.66	3,610	2,768
G-Bldg. Shinsaibashi 03	2-17, Shinsaibashisuji 1-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	4,631.13	27,000	22,252
G-Bldg. Nagoya Sakae 01	27-24, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi	Real property	927.09	2,030	1,965
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. Abeno 01	4-7, Abenosuji 1-chome, Abeno-ku, Osaka-shi, Osaka	Trust beneficial interest	4,700.58	4,520	4,319
G-Bldg. Umeda 01	15-22, Chayamachi, Kita-ku, Osaka-shi, Osaka	Trust beneficial interest	3,529.51	10,300	9,806
G-Bldg. Shinsaibashi 04	10-5 Minamisenba 3-chome, Chuo-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	1,610.63	3,360	3,309
G-Bldg. Kyoto Kawaramachi 01	235, Yamazakicho 2-chome, Sanjo-sagaru, Kawaramachi-dori, Nakagyō-ku, Kyōto-shi, Kyōto	Trust beneficial interest	2,209.87	2,350	2,209
Narupark (Note 5)	232 Urasato 3-chome, Midori-ku, Nagoya-shi, Aichi	Trust beneficial interest	15,227.61	5,050	7,581
Nara Family (Note 7)	4-1, Saidaiji-higashimachi 2-chome, Nara-shi, Nara	Trust beneficial interest	82,791.74	37,800	34,360
AEON Takatsuki	47-2, Haginosho 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	77,267.23	10,800	10,146
AEON Yagoto	2-1, Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-shi, Aichi	Trust beneficial interest	63,778.44	3,590	3,369
Kyoto Family	1-1, Ikejiricho, Yamanouchi, Ukyō-ku, Kyōto-shi, Kyōto	Trust beneficial interest	19,628.00	5,340	6,515
AEON MALL Tsurumi Ryokuchi	17-1, Tsurumi 4-chome, Tsurumi-ku, Osaka-shi, Osaka	Trust beneficial interest	138,538.63	26,400	24,967
AEON MALL Itami	1-1, Fujinoki 1-chome, Itami-shi, Hyogo	Trust beneficial interest	157,904.26	19,900	19,165
Ario Otori	199-12, Otori Minami-cho 3-cho, Nishi-ku, Sakai-shi, Osaka, etc.	Trust beneficial interest	95,135.36	15,800	15,711
AEON MALL Kobe Kita	1-1, Kouzudai 8-chome, Kita-ku, Kobe-shi, Hyogo	Trust beneficial interest	128,050.62	11,690	9,316
LIFE Kishibe (Land with leasehold interest)	2205-15, Hara-cho 4-chome, Suita-shi, Osaka, etc.	Real property	5,516.61	2,060	1,942
LIFE Shimodera (Land with leasehold interest)	5-23, Shimodera 2-chome, Naniwa-ku, Osaka-shi, Osaka, etc.	Real property	4,344.18	1,830	1,717
LIFE Taiheiji (Land with leasehold interest)	43-6, Taiheiji 2-chome, Higashi Osaka-shi, Osaka	Real property	3,898.01	1,340	1,304
Izumisano Shofudai (Land with leasehold interest)	1138-1, Shofudai 1-chome, Izumisano-shi, Osaka	Trust beneficial interest	44,009.52	2,830	2,657

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
mozo wonder city (Note 7)	40-1, Futakatacho, Nishi-ku, Nagoya-shi, Aichi, etc.	Trust beneficial interest	86,727.87	64,500	54,816
Round1 Stadium Sakai Chuo Kanjyo	241, Ishiwara-cho 2-cho, Higashi-ku Sakai-shi, Osaka	Trust beneficial interest	17,521.46	2,390	1,689
pivo Izumi Chuo	1-2, Ibukino 5-chome, Izumi-shi, Osaka, etc.	Trust beneficial interest	21,182.94	6,990	5,697
KAMISHIN PLAZA	6-12, Osumi 1-chome, Higashiyodogawa-ku, Osaka-shi, Osaka	Trust beneficial interest	11,930.76	4,790	4,290
Round1 Stadium Takatsuki	6-4, Zushi 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	19,767.64	2,820	2,056
m-city Toyonaka	2-18, 2-chome, Hinode-cho Toyonaka-shi, Osaka	Trust beneficial interest	33,301.93	6,320	5,504
Round1 Hiroshima	3-11, Tatemachi, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	9,890.63	3,970	2,899
DFS T GALLERIA OKINAWA	1-1, Omoromachi 4-chome, Naha-shi, Okinawa	Trust beneficial interest	42,088.14	17,600	15,815
G-Bldg. Sendai Ichibancho 01	5-11 Ichibancho 3-chome, Aoba-ku, Sendai-shi, Miyagi, etc.	Real property	682.33	3,070	2,953
AEON Sendai Nakayama	35-40, Minami Nakayama 1-chome, Izumi-ku, Sendai-shi, Miyagi, etc.	Trust beneficial interest	46,248.96	10,900	8,782
AEON MALL Kashiihama	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	109,616.72	7,395	5,915
AEON MALL Sapporo Naebo	1-1, Higashinaebo 2jo 3-chome, Higashi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	74,625.52	8,790	6,629
AEON Tobata Shopping Center	2-2, Shioi-cho, Tobata-ku, Kita-Kyushu-shi, Fukuoka	Trust beneficial interest	93,258.23	6,610	5,534
AEON Naha Shopping Center	10-2, Kanagusuku 5-chome, Naha-shi, Okinawa	Trust beneficial interest	79,090.48	10,800	10,099
Oyama Yuen Harvest Walk (Note 7)	1475-52, Aza-kaido-nishi, Oaza-Kizawa, Oyama-shi, Tochigi, etc.	Trust beneficial interest	59,872.65	9,520	8,795
AEON MALL Sapporo Hassamu	1-1, Hassamu 8jo 12-chome, Nishi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	102,169.00	18,200	16,004
MrMax Nagasaki	26-1, Iwami machi, Nagasaki-shi, Nagasaki, etc.	Trust beneficial interest	12,115.09	3,260	2,475
Tecc Land Fukuoka Shime Honten (Note 6)	2-1, Minamizato 5-chome, Shime-machi, Kasuya-gun, Fukuoka	Trust beneficial interest	-	5,190	3,888
Total			2,668,210.09	907,284	803,637

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 property for the six months ended February 29, 2016 and August 31, 2016 were as follows:

Name of property	For the six months ended February 29, 2016				For the six months ended August 31, 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	90	0.3	4	100.0	75	0.2
G-Bldg. Daikanyama 01	1	100.0	41	0.1	1	100.0	40	0.1
GYRE	23	100.0	584	1.9	23	100.0	563	1.8
Bic Camera Tachikawa	2	100.0	357	1.2	2	100.0	357	1.2
G-Bldg. Kita Aoyama 01	3	100.0	34	0.1	3	100.0	34	0.1
G-Bldg. Jiyugaoka 01	2	100.0	72	0.2	2	100.0	71	0.2
Cheers Ginza	10	100.0	102	0.3	10	100.0	103	0.3
G-Bldg. Jingumae 06	4	100.0	53	0.2	4	100.0	53	0.2
G-Bldg. Jingumae 01	2	100.0	82	0.3	2	100.0	82	0.3
G-Bldg. Jingumae 02	3	100.0	30	0.1	3	100.0	30	0.1
G-Bldg. Minami Aoyama 01	4	100.0	116	0.4	4	100.0	129	0.4
La Porte Aoyama (Note 3)	24	96.9	288	0.9	23	96.2	282	0.9
G-Bldg. Shinjuku 01	1	100.0	161	0.5	1	100.0	161	0.5
G-Bldg. Jingumae 03	6	92.7	82	0.3	8	100.0	78	0.3
G-Bldg. Minami-Ikebukuro 01 (Note 3)	7	87.1	282	0.9	7	87.1	233	0.8
Urban Terrace Jingumae	2	100.0	99	0.3	2	100.0	100	0.3
Arkangel Daikanyama (Land with leasehold interest) (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Omotesando 01	1	100.0	135	0.4	1	100.0	135	0.4
Round1 Yokohama Station West	1	100.0	114	0.4	1	100.0	114	0.4
G-Bldg. Sangenjaya 01	3	100.0	156	0.5	3	100.0	180	0.6
G-Bldg. Ginza 01	8	100.0	149	0.5	8	100.0	173	0.6
KAWASAKI Le FRONT	67	98.8	1,807	5.8	67	96.9	1,772	5.7
G-Bldg. Shibuya 01 (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Omotesando 02	6	100.0	371	1.2	6	100.0	370	1.2
G-Bldg. Kichijoji 01 (Note 4)	1	100.0	-	-	1	100.0	-	-
CUTE CUBE HARAJUKU	9	97.3	196	0.6	9	97.3	194	0.6
G-Bldg. Ueno 01	1	100.0	75	0.2	1	100.0	75	0.2
Takadanobaba (Land with leasehold interest)	1	100.0	44	0.1	1	100.0	48	0.2
G-Bldg. Akihabara 01 (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Akihabara 02 (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Kichijoji 02 (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Ginza Chuo-dori 01	-	-	-	-	9	100.0	180	0.6

Name of property	For the six months ended February 29, 2016				For the six months ended August 31, 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) (%)
Ito-Yokado Kawasaki	5	100.0	486	1.6	5	100.0	475	1.5
Abiko Shopping Plaza	54	99.9	648	2.1	54	99.9	632	2.0
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
Ito-Yokado Tsunashima	1	100.0	168	0.5	1	100.0	168	0.5
AEON Itabashi Shopping Center	1	100.0	648	2.1	1	100.0	656	2.1
AEON MALL Yamato	1	100.0	536	1.7	1	100.0	536	1.7
SEIYU Hibarigaoka	1	100.0	259	0.8	1	100.0	249	0.8
Higashi-Totsuka Aurora City	4	100.0	1,355	4.4	4	100.0	1,358	4.4
Ito-Yokado Yotsukaido	1	100.0	289	0.9	2	100.0	294	1.0
AEON MALL Musashi Murayama	1	100.0	943	3.0	1	100.0	934	3.0
Makuhari Plaza	5	100.0	212	0.7	5	100.0	211	0.7
Round1 Machida	1	100.0	90	0.3	1	100.0	90	0.3
Round1 Stadium Itabashi	1	100.0	95	0.3	1	100.0	95	0.3
Summit Store Nakano Minamidai	1	100.0	84	0.3	1	100.0	84	0.3
Colline Bajikouen	10	100.0	143	0.5	10	100.0	143	0.5
8953 Osaka Shinsaibashi Building	1	100.0	364	1.2	1	100.0	364	1.2
Kawaramachi OPA	1	100.0	359	1.2	1	100.0	370	1.2
G-Bldg. Shinsaibashi 01	2	100.0	73	0.2	2	100.0	73	0.2
Round1 Stadium Sennichimae (Land with leasehold interest)	1	100.0	240	0.8	1	100.0	240	0.8
G-Bldg. Shinsaibashi 02 (Note 4)	1	100.0	-	-	1	100.0	-	-
Round1 Kyoto Kawaramachi	1	100.0	104	0.3	1	100.0	104	0.3
G-Bldg. Shinsaibashi 03 (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Nagoya Sakae 01	2	100.0	47	0.2	2	100.0	47	0.2
EDION Kyobashi (Land with leasehold interest) (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Abeno 01	9	100.0	117	0.4	9	100.0	142	0.5
G-Bldg. Umeda 01	12	100.0	185	0.6	11	92.8	219	0.7
G-Bldg. Shinsaibashi 04	4	100.0	45	0.1	7	100.0	77	0.2
G-Bldg. Kyoto Kawaramachi 01	-	-	-	-	3	36.2	25	0.1
Narupark (Note 3)	49	99.5	340	1.1	48	98.5	331	1.1
Nara Family (Note 5)	113	98.7	1,896	6.1	57	87.0	1,746	5.7

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AEON Takatsuki	1	100.0	401	1.3	1	100.0	399	1.3
AEON Yagoto	2	100.0	126	0.4	2	100.0	126	0.4
Kyoto Family	61	99.3	584	1.9	64	100.0	577	1.9
AEON MALL Tsurumi Ryokuchi	1	100.0	896	2.9	1	100.0	892	2.9
AEON MALL Itami	1	100.0	579	1.9	1	100.0	581	1.9
Ario Otori	1	100.0	549	1.8	1	100.0	549	1.8
AEON MALL Kobe Kita	1	100.0	405	1.3	1	100.0	405	1.3
LIFE Kishibe (Land with leasehold interest)	1	100.0	68	0.2	1	100.0	68	0.2
LIFE Shimodera (Land with leasehold interest)	1	100.0	56	0.2	1	100.0	56	0.2
LIFE Taiheiji (Land with leasehold interest)	1	100.0	48	0.2	1	100.0	48	0.2
Izumisano Shofudai (Land with leasehold interest) (Note 4)	2	100.0	-	-	2	100.0	-	-
mozo wonder city (Note 5)	215	100.0	3,452	11.1	215	100.0	3,316	10.8
Round1 Stadium Sakai Chuo Kanryo	1	100.0	82	0.3	1	100.0	82	0.3
pivo Izumi Chuo (Note 4)	17	100.0	-	-	17	100.0	-	-
KAMISHIN PLAZA	34	92.7	256	0.8	37	98.3	252	0.8
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	-	-
Round1 Hiroshima	1	100.0	119	0.4	1	100.0	119	0.4
DFS T GALLERIA OKINAWA	1	100.0	497	1.6	1	100.0	497	1.6
G-Bldg. Sendai Ichibancho 01	1	100.0	-	-	1	100.0	-	-
AEON Sendai Nakayama	2	100.0	415	1.3	2	100.0	415	1.3
AEON MALL Kashiihama (Note 6)	1	100.0	368	1.2	1	100.0	333	1.1
AEON MALL Sapporo Naebo	1	100.0	371	1.2	1	100.0	371	1.2
AEON Tobata Shopping Center	1	100.0	315	1.0	1	100.0	315	1.0
AEON Naha Shopping Center	1	100.0	373	1.2	1	100.0	373	1.2
Oyama Yuen Harvest Walk (Note 5)	72	100.0	811	2.6	71	99.8	812	2.6
AEON MALL Sapporo Hassamu	1	100.0	577	1.9	1	100.0	577	1.9
MrMax Nagasaki (Note 4)	2	100.0	-	-	2	100.0	-	-
Tecc Land Fukuoka Shime Honten (Note 4)	1	100.0	-	-	1	100.0	-	-
Kishiwada CanCan Bayside Mall (Note 7)	89	90.4	670	2.2	-	-	736	2.4
AEON MALL Higashiura (Note 8)	1	100.0	480	1.5	-	-	404	1.3
AEON Nishi-Otsu (Note 9)	-	-	90	0.3	-	-	-	-

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AEON Oniya (Note 9)	-	-	46	0.2	-	-	-	-
AEON Ueda (Note 9)	-	-	73	0.2	-	-	-	-
AEON MALL Yachiyo Midorigaoka (Note 9)	-	-	167	0.5	-	-	-	-
Neyagawa (Land with leasehold interest) (Note 4 and 8)	1	100.0	-	-	-	-	-	-
Total	1,007	99.7	31,028	100.0	880	99.4	30,851	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% and 19% quasi-co-ownership interest of the property on October 15, 2015 and August 31, 2016, respectively.

Note 7 JRF sold the property on August 5, 2016.

Note 8 JRF sold the property on August 2, 2016.

Note 9 JRF sold the property on October 15, 2015.