



February 2017 (30<sup>th</sup>)  
**Period Results**

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

JAPAN RETAIL FUND  
INVESTMENT CORPORATION



Security code

8953

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Welcome to this presentation of JRF's operating results for the 30th period, the six months from September 1, 2016 to February 28, 2017.

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Following the presentation materials, and as indicated in the “Table of Contents” on page 1, I will first provide details of JRF’s portfolio strategy together with our medium-term targets, before moving on to how we implement our growth and financial strategies. I will then provide details of our financial results for the 30th period, together with forecasts for the 31st and 32nd periods, and in closing, comment on JRF’s approach toward sustainability management.



Newly acquired property  
G-Bldg. Midotsuji 01

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

## Build a strong portfolio that can adapt to change in social structure and the retail environment

### ■ Portfolio strategy

Aim to further expand our portfolio, which is approx. 900 billion JPY in size and features diversification in location and tenant base, and enhance its quality to get prepared for changes in social structure as well as the retail environment

#### Background

- Gradual structural change in retail sector together with changes in demographics and social structure
- Diversification of consumer demand, and shift in consumption pattern and consumer behavior
- Shifting consumer behavior from "shopping" to "experience"

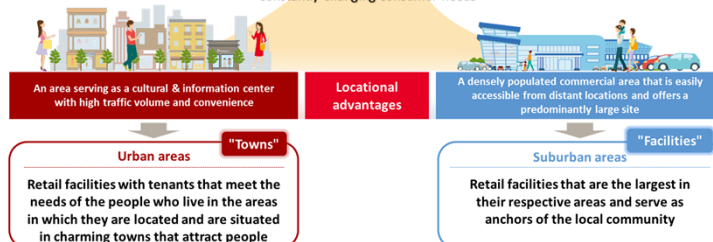
Invest selectively in properties with **"strong locational advantage"** that can provide a place where people gather and have fun

#### Provide goods and services that attract people

A concentration of attractive tenants that constitutes a "town" where people gather and have fun

#### Concentration of attractive tenants

A variety of attractive tenants are concentrated in the area that has locational advantages and can meet constantly changing consumer needs



P3, let us now begin with a look at JRF's portfolio strategy.

Recognizing the trend toward urbanization, amid a drop in the population, as well as the growing impact of e-commerce markets, and the selective nature of retail properties, I would like to take this opportunity to provide an overview and background details of our portfolio strategy and investment targets.

In the past, the role of conventional-type retail properties was limited to the simple purchase and sale of goods. With the recent rise of e-commerce, however, online activities have to a large degree replaced certain retail market functions. With this in mind, we anticipate e-commerce transactions will account for a growing share of the purchase and sale of commodities.

As a result, we are seeing changes in the way retail properties attract customers as well as the structure of retail property earnings. Against this backdrop, the success of retail properties is increasingly dependent upon the ability to provide a place where people can gather and have fun, which in turn generates consumption.

The diagram on this page outlines JRF's strategy.

Just to clarify, JRF is not an operator of retail stores, but an owner of retail properties. We acquire and hold properties that comprise stores located in attractive cities mainly in urban areas, as well as large-scale retail facilities that serve as "towns" largely in suburban areas. Here, we recognize the importance of attracting tenants whose activities match ever-changing trends in consumption, in order to respond appropriately to shifts in consumer tastes.









Whether it is the sale of a commodity, or the experience provided by certain services, attractive tenants undergo a transition with each passing age. For tenants seeking to lead or capitalize on the latest trend or fashion, the location at which to open a store is of critical importance. Places that attract large crowds can be expected to maximize the effects of advertising and help increase sales through synergies with popular stores in surrounding areas.

Accounting for each of these factors, JRF strives to acquire properties where people can gather and have fun. We also endeavor to maintain a mix of tenants with the ability to attract customers in tune with each era. Making the most of attractive locations and tenants, as well as our SC management capabilities, we are targeting growth through a process of multiplication as opposed to mere addition.



## Seek to grow our portfolio with a focus on Category A, C and D properties, under a strategy of mainly investing in assets with "locational advantage"

### Investment target

	Categories	Representative properties	Characteristics	Number of properties held		Management policy
				Feb. 28, 2013 (end of 22nd FP)	After acquisition of anticipated properties (Note1)	
Suburban	Large-scale retail properties, the largest class in the relevant area 	 mozo wonder city	<ul style="list-style-type: none"> <li>Large-scale shopping malls consisting of core tenants and 100-200 specialty tenants</li> <li>Attracts customers with sheer facility size, comfortable retail spaces and attractive tenant mix</li> <li>Potential move-out by core tenants has only limited impacts as compared to GMS-type <sup>(Note 2)</sup> properties, as the property consists mostly of specialty stores</li> </ul>	21 properties	17 properties	<ul style="list-style-type: none"> <li>Continued efforts to keep the "freshness" and "attractiveness" of our facilities through tenant replacements and renovations</li> <li>A combination of "offensive" efforts, through which we expect to improve the NOI of existing properties, and "defensive" efforts, which are aimed to help our facilities maintain a competitive edge and thereby prevent reductions in profitability</li> </ul>
	Retail properties in densely-populated areas 	 KAMISHIN PLAZA	<ul style="list-style-type: none"> <li>Retail properties near densely populated trade areas, where people purchase food and daily necessities</li> <li>The properties have limited exposure to changes in the surrounding environment due to their location in densely populated areas</li> </ul> <p>(*) JRF also invests selectively in the type of properties that are occupied by highly credible tenants and the expected to generate stable revenues over the long term</p>	27 properties	27 properties	
	Retail properties in favorable locations adjacent to major stations 	 Bic Camera Tachikawa	<ul style="list-style-type: none"> <li>Retail properties located in areas that attract many customers due to their easy access and high traffic volume</li> <li>The properties are part of charming "towns" that are formed around train stations where a variety of tenants are concentrated, thereby attracting people</li> <li>The ability to replace tenants with relative ease due to the location and availability of alternative tenants</li> </ul>	11 properties	24 properties	<ul style="list-style-type: none"> <li>Disposition of properties with future uncertainties</li> <li>Securing tenants that feature the characteristic of the retail area, keep up with the trend and attractive to customers</li> <li>Aiming for rental upsizes upon contract renewal</li> </ul>
Urban	Retail properties in prime urban shopping districts 	 GYRE	<ul style="list-style-type: none"> <li>Retail properties located in prime commercial districts that attract a variety of people</li> <li>Areas with a high barrier to entry because of the scarcity of available land for development and expansion and, as a result, landlords are able to charge higher rents than those of other categories</li> <li>The properties serve not only as retail shops but also as advertising platforms that are less affected by changes in retail sales</li> </ul>	17 properties	28 properties	

(Note 1) Number of properties for "After acquisition of anticipated properties" refers to the number of properties we own, or have announced to acquire, as of April 13, 2017.

(Note 2) "GMS-type" refers to a shopping center that has a GMS as the anchor tenant in addition to other specialty store tenants. GMS stands for General Merchandise Stores, which are large-scale supermarkets that sell a wide variety of daily-needs products.

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Commenting further on the nature of our investment targets, I ask that you turn to page 4.

JRF has identified two broad investment targets in order to realize its target portfolio. First, we invest in retail properties in popular urban shopping districts. Second, we acquire major retail properties that are considered the largest class in their relevant area with the charm and capability to function as "towns" in themselves.

The table on this page illustrates changes in JRF's portfolio mix in line with trends in its four investment target fields and strategies.

Amid a decrease in the number of "A" category suburban-type properties, the number of "B" category properties remains unchanged. In contrast, the number of "C" and "D" category urban-type properties, which form an integral city function where people gather in large numbers, has increased substantially.

While we still view properties with "city" or "town" attributes, that are considered the largest class in their relevant area as attractive investment targets, we sold certain facilities that fell within the "A" investment category. This was mainly due to the limited nature of populations where properties were located, or obvious signs of a declining trend, significant hurdles in renovating properties with leasehold land interests, poor growth prospects, and low yields at the time of purchase immediately prior to the financial crisis reflecting high acquisition prices.

For those large-scale properties considered the largest class in their relevant area that we continue to hold, operations are undertaken either by the management company or by AEON MALL Corporation, one of Japan's leading mall operators. In either case, the properties that we own are situated in prime locations and maintain within each facility attractive specialty stores. With the ability to consistently function as "towns," these blue-chip properties are well placed to accommodate changes in consumers' tastes.

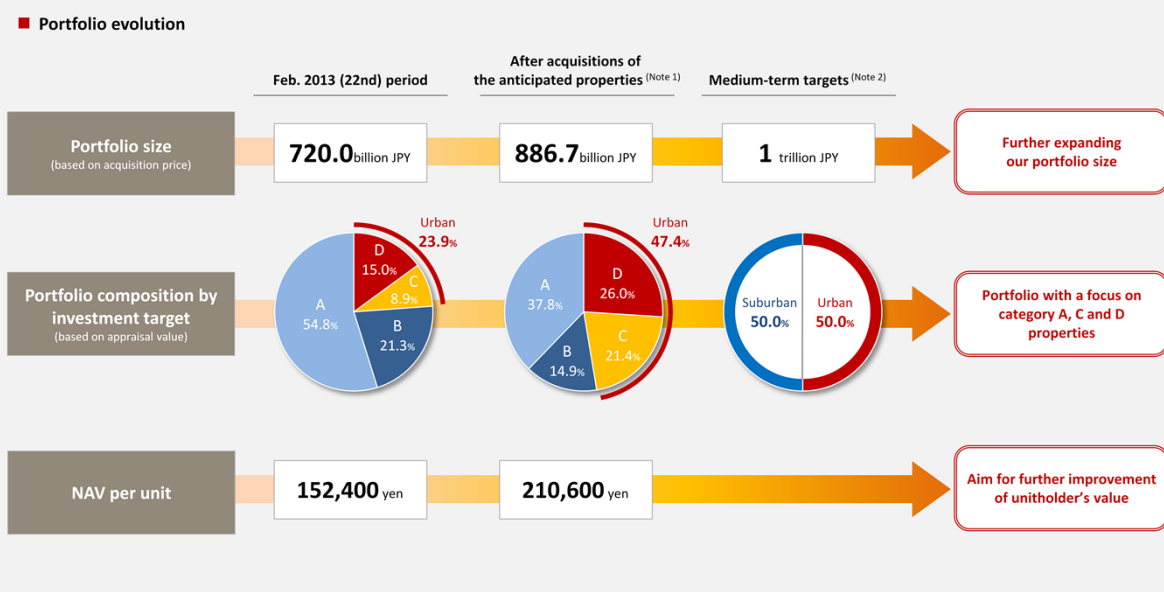
By comparison, "B" category properties lack the scale of shopping destinations and the size required to be considered as "towns." Here, we are placing considerable emphasis on location and taking steps to replace certain "B" category assets with properties situated in densely populated areas with limited opportunity for competing stores to open in the surrounding area.

JRF has also reduced its exposure to GMS-type properties. Driven by concerns regarding their weak performance, we sold certain GMS-type properties located in uncompetitive areas.

Meanwhile, as far as our acquisition activities are concerned, we are focusing on the purchase of a variety of assets including neighborhood shopping centers that frequently attract large numbers of visitors and provide local customers with daily convenience and a little enjoyment.

Turning to the next page of the presentation materials, we provide details of how we have increased the size and improved the quality of our assets through portfolio management over the four years from the period ended February 2013.

## Portfolio Evolution aiming higher locational advantage and easier tenant replacement



(Note 1) Amounts and percentages for "after acquisitions of the anticipated properties" are calculated by including the figures for the properties we have announced to acquire as of April 13, 2017.

(Note 2) This is only a target and we do not guarantee achieving it.

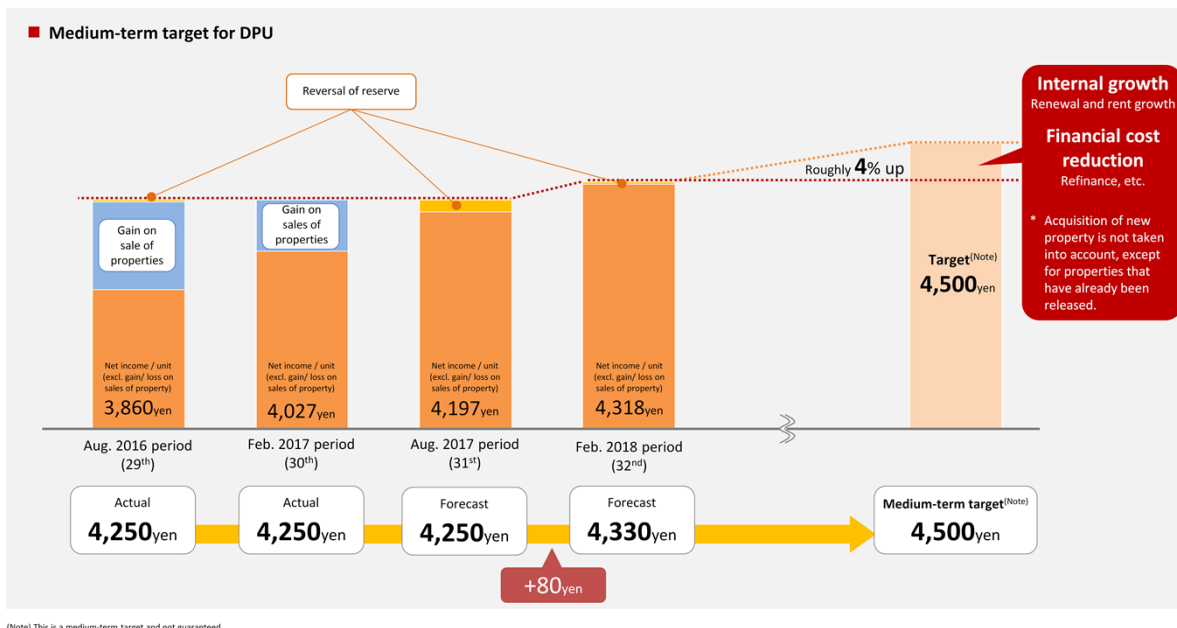
5

After the acquisition of assets in conjunction with our most recent follow-on offering, the scale of our assets currently stands at 886.7 billion yen. We continue to target an asset scale of 1 trillion yen over the medium term.

By investment target, the ratio of urban-type properties has risen to 47.4%. As far as our 52.6% share of suburban-type properties is concerned, 37.8% is comprised of large-scale facilities that are considered highly competitive and the largest class in their area. As you can see, we have taken positive steps to transform our portfolio. We are now better placed to harness ownership effects and are less susceptible to fluctuations in the performance of certain tenants.

In addition, our NAV per unit has improved 38% to 210,600 yen.

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



The graph on this page details trends in DPU as we work toward our medium-term target.

While I will explain in more detail later in this presentation, looking at results for the February 2017 period, JRF's net income per unit came in at 4,027 yen after excluding any gain on the sale of properties. If we add 223 yen of the 543 yen attributable to the gain on sale of properties, our DPU came in at the previously forecast figure of 4,250 yen. The remaining 320 yen of the 543 yen attributable to the gain on sale of properties has been allocated to reserves and will be used to ensure stable distributions in the future.

Turning to the August 2017 and February 2018 periods, we are projecting DPUs of 4,250 yen and 4,330 yen, respectively.

Excluding the impact of external growth, DPU is expected to reach 4,500 yen over the medium term. This is largely due to internal growth including large-scale renovations and increases in rents, coupled with reductions in financial costs through adjustments to the gap between the average borrowing interest rate for the Fund as a whole and interest rates applicable to recently procured debt.



Newly acquired property  
MARINE & WALK YOKOHAMA

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

## ■ Initiative for further growth and recent actions

## External growth strategy

For the purpose of further enhancing regional and tenant diversification

## Asset size expansion

<Recent actions>

Acquisition of new properties consisting mainly of urban retail properties

**5** properties, approx. **41.4** billion JPY

Capital raising of over 20.0 billion JPY through PO

Offering type:  
Global Offering (Reg.S+144A)

Asset	Debt
Acquisition of 5 properties (41.4 billion JPY)	20.0 billion JPY
	Equity
	Issuance 115,000 units (24.6 billion JPY)

## External growth strategy

For the purpose of improving portfolio quality

## Asset replacements

<Recent actions>

Complete the disposition of the property that require drastic measures

Suburban type **1** property **Replacement** Urban type **1** property

Disposition of suburban GMS properties at prices close to their book value

- Leverage the favorable transaction market environment with high liquidity
- Acquired an urban retail property utilizing the proceeds



## Internal growth strategy

Leveraging SC management capability

## Asset value enhancement initiatives

<Recent actions>

Implementation of action plans for facility competitiveness improvement

Completed **3** properties

On-book renovation of aged properties

- Reopening of a retail facility with all-glass facades and an interior design featuring warmth of wood



P8, I would like to comment on the implementation of our growth strategies. Here on this page, we provide a summary of the measures implemented since the February 2017 period.

First, we continued to diversify the geographic locations and tenant profile of the portfolio. By expanding the scale of our assets as a part of our external growth strategy, we have been successful in further stabilizing the portfolio. After procuring proceeds totaling 24.6 billion yen from a follow-on offering conducted in March 2017, we acquired 5 properties focusing mainly on urban retail centers at an acquisition cost of roughly 41.4 billion yen. In this instance, settlement will be completed between March and September this year.

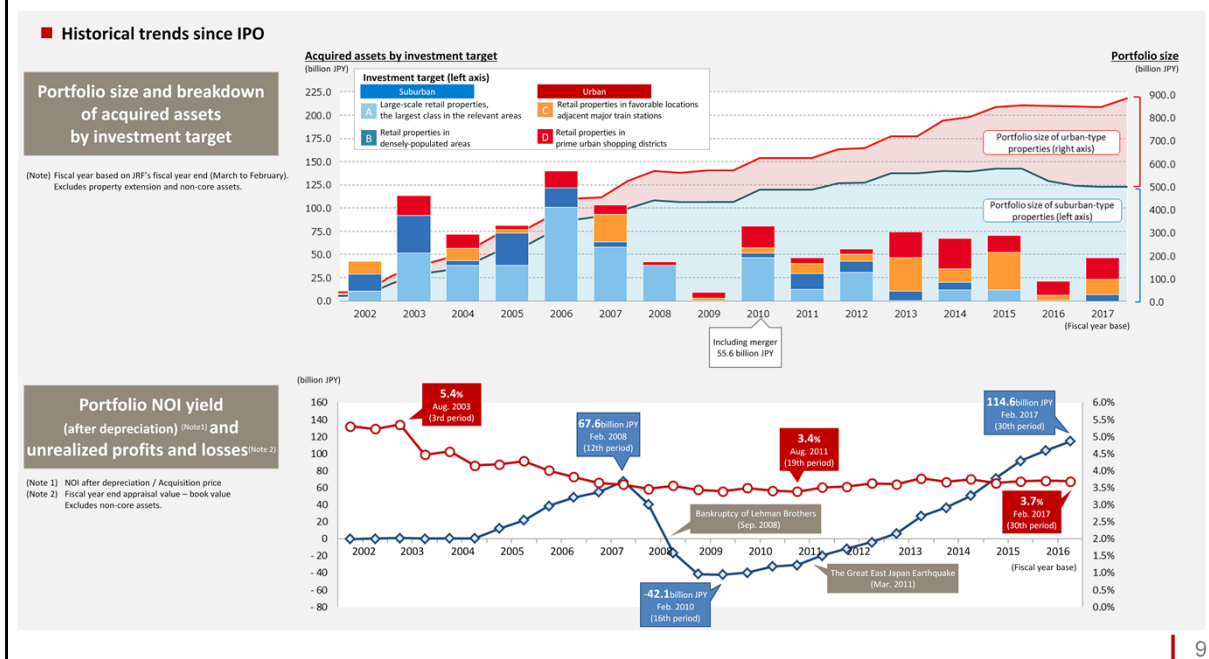
Again, as a part of our external growth strategy, and in order to enhance our portfolio while reinforcing our resilience against changes in consumption trends, we replaced certain suburban-type assets where tenant substitution prospects were low with urban-type properties.

Through this initiative, we completed the sale of assets that required immediate and drastic attention.

From an internal growth perspective, we are working diligently to increase the value of existing properties.

As a part of efforts to execute action plans aimed at increasing the competitiveness of facilities, we completed measures at 3 properties during the previous period.

## Increase profitability and stability based on consecutive acquisition



P9, elaborating further on JRF's external growth strategy.

Amid a harsh property acquisition environment, and as indicated in the graph that runs across the top half of the page, JRF has continued to purchase properties, including asset replacement facilities, to an average annual value of around 70 billion yen since its IPO. In fiscal 2016, however, the acquisition of properties was held to approximately 20 billion yen.

As I mentioned a moment ago, the large-scale sale of properties has settled. Looking ahead, we do not anticipate any change in the pace at which the portfolio expands, even in the event that purchases are smaller compared with previous acquisitions.

The graph that runs across the bottom half of the page depicts trends in JRF's average NOI yield after depreciation as well as unrealized profit and loss.

While changes in unrealized profit and loss are cyclical in nature, the balance of unrealized profit currently stands at 114.6 billion yen. Trends in NOI yield after depreciation are stable reflecting both the scale and diversification of the portfolio. Over recent years, NOI yield after depreciation has continued to remain steady at around 3.7%. In the future, we will place considerable emphasis on the timing of each acquisition and continue to purchase a certain number and amount of properties. In this manner, we will build a portfolio of prime assets while pursuing increased quality and diversification.



## Selective investment in quality assets focusing on locational advantage and easiness of tenant replacement

### ■ Acquisition of new properties consisting mainly of urban retail properties

Properties that announced acquisition after September 2016 ( 8 properties, 51.3billion JPY)



G-Bldg. Sendai Ichibancho 01  
(Acquisition of the building)  
Completed acquisition on September 30, 2016



G-Bldg. Takadanobaba 01  
(Additional acquisition of 40% co-ownership interest of the land and the building)  
Completed acquisition on October 3, 2016



G-Bldg. Shinsaibashi 03 (Bldg. B) <sup>(Note 1)</sup>  
(Additional acquisition of an adjacent property)  
Completed acquisition of the Main Building and a portion of the underlying land on March 17, 2017  
Anticipate to acquire the remaining land portion by the end of December 31, 2017



G-bldg. Naha-shintoshin 01  
Completed acquisition on March 17, 2017



G-Bldg. Tenjin Nishi-dori 01  
Completed acquisition on April 5, 2017



G-Bldg. Midosuji 01  
Completed acquisition on March 17, 2017



MARINE & WALK YOKOHAMA  
Completed acquisition of a 20% co-ownership interest on March 17, 2017  
Anticipate to acquire the remaining 80% co-ownership interest on May 1, 2017



Kasugai (land with leasehold interest)  
Anticipate to acquire this property in September, 2017 <sup>(Note 2)</sup>

(Note 1) Please refer to Page 6 in appendix for detailed location of the main building and the underlying land of "G-Bldg. Shinsaibashi 03 (Bldg. B)".  
(Note 2) This property is planned to be acquired once the lessee of the land with leasehold interest has been issued an inspection certificate with respect to the grocery supermarket that is scheduled to be built thereon. We expect this to take place sometime around September 2017.

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On page 10, we present photos and brief details of the 8 properties acquired since the September 2016 period.

G Bldg. Shinsaibashi 03 (Bldg. B) is pictured at the center of the page.

Together with Bldg. A, which houses the global flagship store of UNIQLO Co., Ltd., JRF has now acquired a major portion of the block that serves as the entranceway to Shinsaibashi-suji shopping arcade.

The property is tenanted by the Tsuruha Group, one Japan's top 3 drug store chains.

With the benefits to accrue from the recent influx of inbound tourists, pharmacies are increasing the pace at which they are opening new stores in Shinsaibashi-suji.

At the bottom left of the page, you will find a photo of G-Bldg. Midosuji 01.

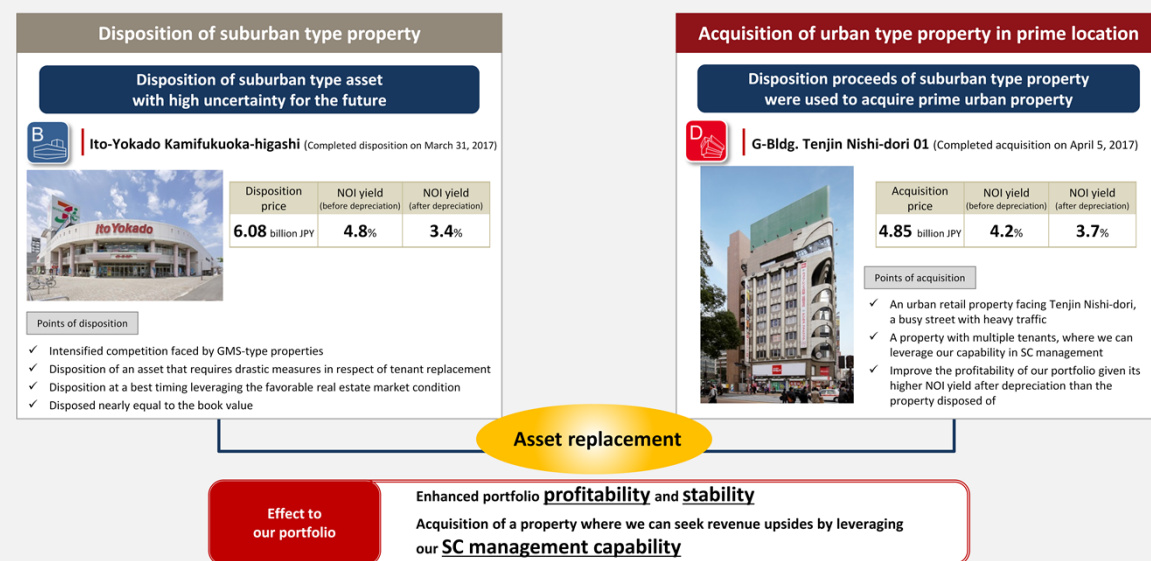
This property is tenanted by two of the world's leading luxury fashion brands: Hermes and Harry Winston.

At the bottom center of the page, we present a photo of MARINE & WALK YOKOHAMA. This innovative multi-tenant retail property was developed by Mitsubishi Corporation Urban Development, Inc., a subsidiary of our sponsor company, in the Minato Mirai 21 district in March last year. MARINE & WALK YOKOHAMA is comprised of 25 stores that provide a hive of activity. The complex includes retail brand, ocean-view restaurant, bridal facilities, and other stores, as well as the flagship store in Japan of Fred Segal, a U.S.-based West Coast multi-brand select shop.

Purchased at a cost of 51.3 billion yen, JRF has acquired 8 properties focusing mainly on urban-type facilities that are in strong demand by tenants who are adept at addressing changes in consumption patterns.

## Strengthen our portfolio with strategic asset replacements

### ■ Summary of asset replacement program carried out from March to April 2017



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P11, I would like to elaborate on our property replacement activities during the February 2017 period, together with efforts to expand our asset scale.

JRF disposed of Ito-Yokado Kamifukuoka-higashi, located in Saitama Prefecture in March this year. We also acquired G-Bldg. Tenjin-Nishi-dori situated in Fukuoka Prefecture.

Our decision to dispose of Ito-Yokado Kamifukuoka-higashi took into account a variety of factors. The property is located in an extremely competitive retail and commercial trading zone. In addition to an existing Lalaport shopping mall, the potential for other large-scale facilities to enter the market is high. Other than the efforts of tenants, we saw little opportunity for the Investment Corporation to leverage its ownership position and skills. At the same time, favorable conditions throughout the real estate market enabled sale of the property at roughly its book value.

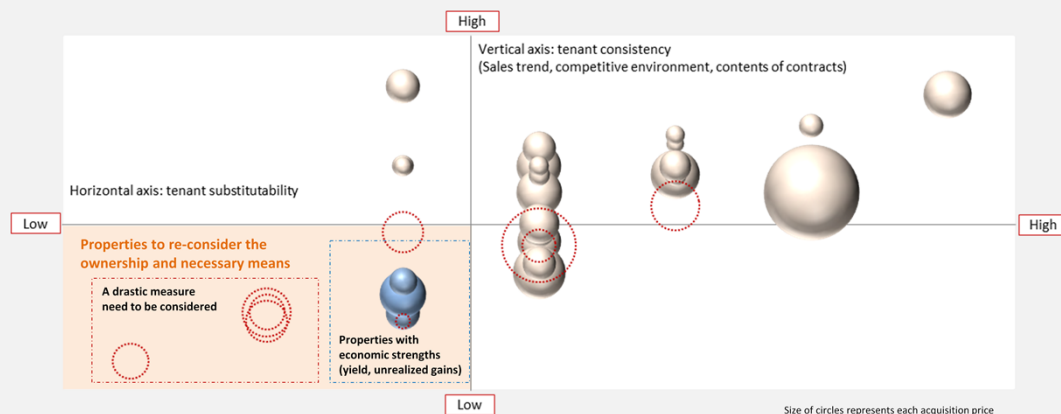
Utilizing the proceeds from the sale of this property, we acquired G-Bldg. Tenjin-Nishi-dori, a multi-tenant commercial building. This property is located on Tenjin-Nishi-dori, one of the busiest streets in Fukuoka City. In addition to its rapid growth as a new retail and commercial hub, the street has benefited from the successive opening of famous overseas brand as well as fast fashion stores over recent years.

In this instance, the disposal and purchase of each property was effectively conducted as a cross transaction. While Ito-Yokado Kamifukuoka-higashi was sold to Haseko Corporation, G-Bldg. Tenjin-Nishi-dori was acquired from Sohgo Real Estate Co., Ltd., a Haseko subsidiary. This ability to conclude a sophisticated cross transaction with companies other than its sponsor, is a measure of JRF's distinctive information gathering skills and its strong real estate solutions capabilities.

## Complete the disposition of the property that require drastic measures

### ■ Current portfolio of 39 suburban properties<sup>(Note)</sup> (Single-tenant suburban assets)

● Properties with NOI yield after depreciation <b>lower</b> than our portfolio average	➡ No such properties
● Properties with NOI yield after depreciation <b>significantly higher</b> than our portfolio average	➡ Consider asset replacement (to secure capital gains) or risk reduction by entering long-term lease agreement
○ Properties <b>disposed of</b> (9 properties)	



(Note) "Current portfolio of 39 suburban properties" refers to the 30 single-tenant suburban properties (excl. large shopping malls) in our current portfolio (96 properties in total, incl. the anticipated acquisitions announced as of April 13, 2017), together with the 9 properties we have disposed of since October 2015.

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Carrying on from my comments of the previous presentation, and analysis of portfolio risks, I refer you to P12 and JRF's current balance of 39 suburban type assets that for the most part are leased to a single tenant.

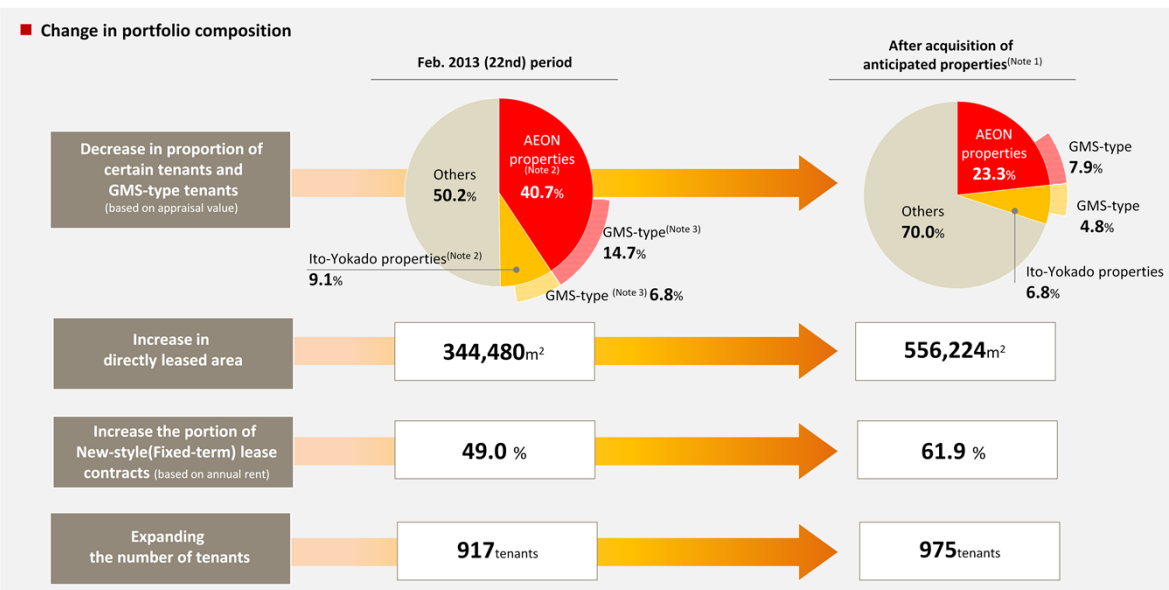
Looking at JRF's portfolio matrix and properties positioned in the third quadrant, we no longer hold any assets where drastic measures need to be considered. This follows the sale of Ito-Yokado Kamifukuoka-higashi.

However, 3 properties that lack the necessary levels of tenant continuity and substitutability, despite exhibiting economic viability, remain.

For these properties, we will assess the pros and cons of lifting continuity by extending the terms of each lease as contracts fall due for renewal, against any potential gain on sale through the replacement of assets. Based on this assessment, we will take the necessary action at the appropriate time.

Taking into account the aforementioned, JRF has steadily improved the nature and quality of its portfolio. This largely reflects the success of a repetitive cycle that entails the sale of suburban-type properties that exhibit poor tenant substitution and asset replacement through the purchase of urban-type properties.

## Solid improvement in portfolio composition as a result of our continued efforts



(Note 1) Amounts and shares for "After acquisition of anticipated properties" are calculated based on the our portfolio after the anticipated acquisitions announced on April 13, 2017

(Note 2) "AEON properties" refer to those properties for which AEON Retail, AEON MALL, AEON Kyushu, AEON Ryukyu and AEON TOWN are master lease tenants.

"Ito-Yokado properties" refer to those properties for which Ito-Yokado Co., Ltd. is a master lease tenant.

(Note 3) The shares for "GMS-type" refers to the shares of the annual rent represented by the "AEON properties" and "Ito-Yokado properties" that we classify as GMS-type, in the entire portfolio.

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The ratio of AEON Group and Ito-Yokado master lease properties has fallen from around 50% to 30% over the past 4 years. This has helped to significantly reduce excessive tenant concentration risk.

In addition, a large number of the AEON Group and Ito-Yokado master lease properties that indeed remain, are considered the largest class in their relevant area. As I mentioned earlier, these are prime properties that are also more than capable of addressing any changes in consumer trends.

For GMS-type properties that continue to attract the concerns of investors, our share as a ratio of the portfolio as a whole has fallen from 21.5% to 13%. In fact, the vast majority of GMS-type properties held by JRF offer ample tenant substitution in the event of an emergency and are located in areas that can easily be revitalized using our SC management capabilities.

On top of efforts to minimize the risk of relying too heavily on specific tenants, the volume of floor space under direct lease agreements, where the management company is involved in the selection of tenants, has increased to 560,000 square meters. The nature and quality of JRF's portfolio continues to improve. In addition to an upswing in the percentage of new-style fixed-term lease contracts, that facilitate the shift to attractive tenants, to 61.9%, our tenant network has risen to 975. The portfolio is now well positioned to boost earnings on the back of our SC management capabilities.

## New acquisitions based on asset size expansion and asset replacement strategy

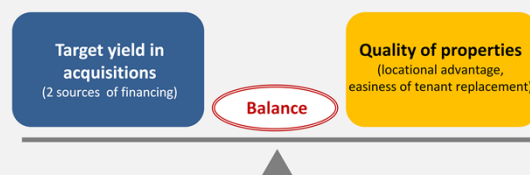
## ■ Target yield in acquisitions

Acquisition of quality assets leveraging 2 sources of financing

Financing source	Target yield
Acquisitions together with <b>Equity offerings</b>	Average NOI yield after depreciation of our portfolio <b>3.7%</b> (as of February 28, 2017)
Acquisitions as a part of <b>Asset replacement</b>	Average NOI yield after depreciation of properties disposed of <b>2.9%</b>
Acquisition capacity <sup>(Note 1)</sup> Approx. <b>40.8 billion JPY</b>	
	Average NOI yield after depreciation
	Dispositions together with asset replacements in and before 2016 <sup>(Note 2)</sup> <b>2.8 %</b>
	Disposition of Ito-Yokado Kamifukuoka-higashi (March 31, 2017) <sup>(Note 3)</sup> <b>3.4 %</b>

## ■ Future acquisitions

Balance target NOI yield and asset quality in future acquisitions to build a balanced portfolio mainly consists of A, C and D properties



## Continue our growth strategy

- Aim for our mid-term target of "an AUM of 1 trillion JPY" and "urban properties : suburban properties = 50% : 50%", while continue to enhance the profitability and quality of our portfolio
- Completed disposition of suburban assets that require drastic measures and will keep expanding our portfolio, though an environment with intensified competition in acquisition

(Note 1) Calculated by adding the acquisition price of Ito-Yokado Kamifukuoka-higashi, which we disposed of in March 2017, to the remaining acquisition capacity (33.8 billion JPY) created by the disposition of 8 suburban properties in August –September 2016, and subtracting the acquisition price of G-Bldg. Tenjin Nishi-dori 01, which we required in April 2017.

(Note 2) Calculated as the sum of annualized operating income from property leasing activities or the NOI on the appraisal reports with the actual depreciation deducted for each property, divided by the total acquisition price of the properties disposed of.

(Note 3) Calculated as the sum of operating income from property leasing activities for the 28th period (ended Feb. 2016) and the 29th period (ended Aug. 2016), divided by the acquisition price.

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Here, on page 14, I would like to comment on what we see as our primary sources of funds when seeking to purchase investment properties.

As you can see from the left side of the page, we have identified two sources of acquisition funds based on the yields of assets purchased.

JRF will draw on the proceeds from follow-on offerings when acquiring properties where the average NOI yield after depreciation of the portfolio does not fall below 3.7%.

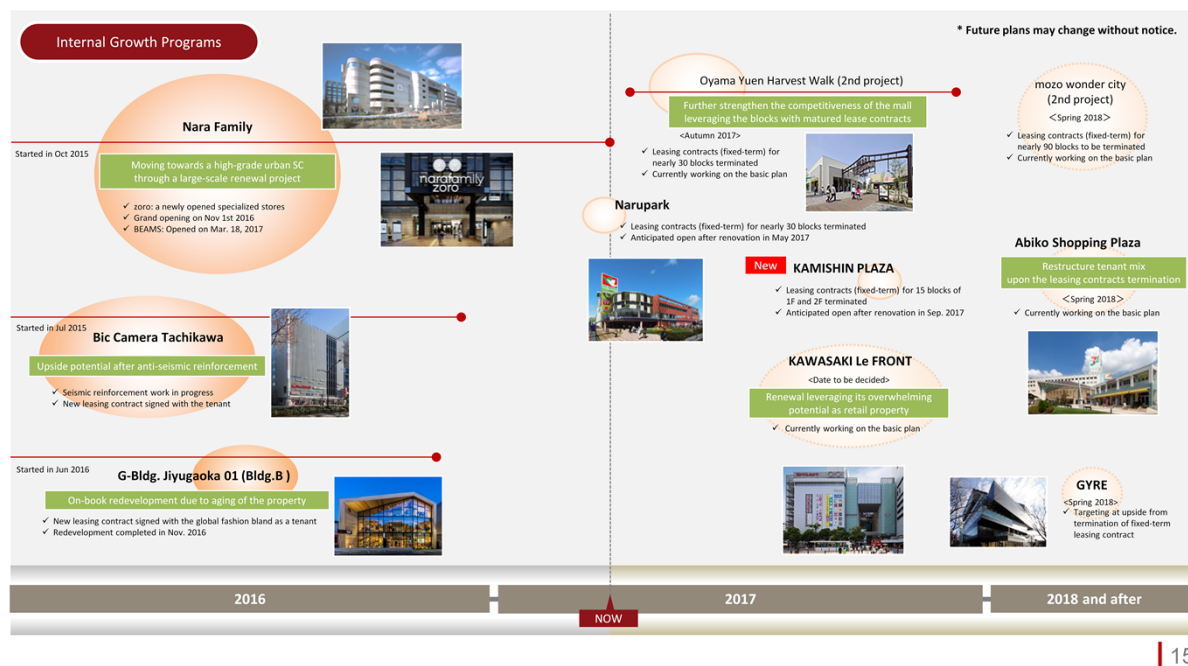
For properties with an NOI yield after depreciation less than 3.7%, we plan to apply the acquisition capacity attributable to properties sold thus far.

JRF's acquisition capacity attributable to the disposition of properties currently stands at 40.8 billion yen. Positioning the yield of properties sold at the time of disposition as a minimum threshold, we will, as a rule, utilize our acquisition capacity to purchase properties when the NOI yield after depreciation is at least 2.9%.

Against the backdrop of a highly competitive acquisition environment, we will endeavor to increase the scale of our assets to 1 trillion yen. While maintaining the quality of the portfolio as a whole, we will follow the aforementioned yield criteria. In specific terms, and as indicated in the scale diagram at the right of the page, we will adopt a balanced approach toward the acquisition of properties that constitute the hustle and bustle of a "town," and large-scale properties that are considered the largest class in their relevant area with the charm and capability to function as "towns" in themselves.



## Implement internal growth strategy by leveraging our SC management capability



P15, I will now elaborate on JRF's internal growth strategy.

In similar fashion to the previous presentation, the size of each circle or oval is indicative of the size of JRF's investment in each project, while the length of each red line represents the downtime in rent attributable to the period of construction.

Large-scale renovation plans have essentially been completed, with small-scale work to continue from 2017. KAWASAKI Le FRONT is the only property that remains in JRF's portfolio with the potential for a major renewal. Discussions with tenants have yet to be completed, with decisions regarding the scale and timing of the project pending.

Turning to Oyama Yuen Harvest Walk and mozo wonder city, major renovations to areas untouched during phase 1 will commence as phase 2. Through these means, we plan to increase earnings.



## Implement internal growth strategies to enhance property competitiveness and profitability

### 3 properties completed in the latest fiscal period

- Draw up and execute action plans aiming to maintain and enhance the value of our properties as well as to improve its competitiveness, by leveraging our SC management capability in leasing and merchandising, particularly in those properties with direct leases

Status	Property name	Categories	Details of action plan	(Planned) Completion date	Effect <sup>(Note1, 2)</sup>
In operation	Oyama Yuen Harvest Walk	A	Improved its competitiveness as a retail property by fully upgrading the environmental design, expanding the leaseable area with building expansion/renovation, and attracting prominent tenants	Apr. 2014	Expenditure: <b>1.31</b> billion JPY ROI: <b>11.5%</b>
	mozo wonder city	A	Upgraded the property to create a park-like environment, leveraging its "green" image. As a result of the renewal project, 163 stores newly opened including 26 stores which opened their first stores in the Tokai area	Sep. 2015	Expenditure: <b>2.13</b> billion JPY ROI: <b>9.8%</b>
	KAMISHIN PLAZA	B	Renovated the floors, following the replacement of key tenants, to attract more customers	Jun. 2016	Expenditure: <b>290</b> million JPY ROI: <b>15.5%</b>
	Ito-Yokado Yotsukaide	A	Constructed an additional building on the same premises to attract new tenants	Jul. 2016	Expenditure: <b>150</b> million JPY ROI: <b>10.4%</b>
Completed	G-Bldg. Jiyugaoka 01 (Bldg. B)	D	Reconstructed the obsolete building under an on-the-book project	Nov. 2016	Expenditure: <b>570</b> million JPY ROI: <b>6.5%</b>
	Bic Camera Tachikawa	C	Renovated the building to enhance its seismic resistance and signed long-term stable lease contracts with existing tenants	Dec. 2016	Expenditure: <b>2.90</b> billion JPY ROI: <b>15.3%</b>
	Nara Family	A	Expanded the zone of specialty stores adjacent to the department store and fully renovated the environmental design to transform the property into a high-quality retail property	<ul style="list-style-type: none"> <li>Phase 1 grand open (Nov. 2016)</li> <li>Phase 2 grand open (Spring of 2017)</li> </ul>	Expenditure: <b>5.10</b> billion JPY Sales <sup>(Note3)</sup> : <b>101.3%</b> No. of visitors <sup>(Note3)</sup> : <b>104.6%</b>

(Note1) Expenditures for Nara Family is an estimated value.

(Note 2) ROI = NOI increase / Expenditures

\* NOI increase = (NOI after renewal project) - (NOI before renewal project). For mozo wonder city, actual NOI of 28th and 29th fiscal period after renewal post adjustment of ownership percentage excluding the one-off expenses related to renewal projects such as repair expenses and retirement losses.

(Note 3) Calculated by dividing the revenue and number of visitors for the 4 months from Nov.2016 through Mar. 2017, by those figures for the 4 months from Nov.2015 through Mar. 2016.

#### Properties completed in the 30th period (ended Feb. 2017)

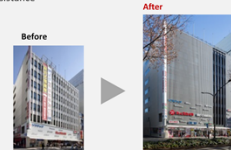
##### G-Bldg. Jiyugaoka 01 (Bldg. B)

The tenants include KOE HOUSE, a new lifestyle version of the "KOE" brand operated by STRIPE INTERNATIONAL INC.



##### Bic Camera Tachikawa

Improved the building's façade and renovated interior common areas, together with improvements for earthquake resistance



Here, on page 16, we provide details of our internal growth strategy as it applies to 7 properties, beginning with phase 1 renovation work at Oyama Yuen Harvest Walk completed in 2014.

At G-Bldg. Jiyugaoka 01 (Bldg. B), we undertook major on-balance-sheet reconstruction work to address the property's deterioration as a result of age. In light of the use of fireproof timber, and the opening by Stripe International Inc. of KOE HOUSE, a new and innovative business format, the property has aroused considerable interest from both the design and reconstruction perspectives.

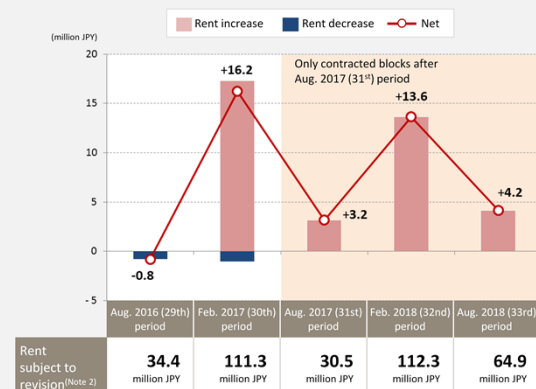
With a building age of 45 years, we carried out anti-seismic reinforcement work at Bic Camera Tachikawa. After negotiating an increase in rent, we concluded a long-term contract with the existing tenant.

Steps have also been taken to complete large-scale renovation work at Nara Family. In order to distinguish the property from AEON MALL, which is opening several malls in surrounding areas, we applied a modern Yamato, or Japanese, taste to efforts aimed at incorporating a "Tenpyo Culture" concept, to showcase the simple yet bold appeal that is unique to Nara Prefecture.

Working also to differentiate the property in terms of tenants opening new stores, we sought the support of a number of retail operators entering the Nara market for the first time, including BEAMS, which opened its inaugural store in March. Through these means and expanding the specialty store zone, JRF is endeavoring to transform Nara Family into an attractive, high-quality retail facility.

## Achieved rent increase in urban type properties leveraging our SC management capacities

### Summary of rent revisions (based on monthly rent) (Note 1)



(Note 1) Figures are based on lease contracts signed as of Apr. 13, 2017, excluding certain blocks whose rent level cannot be compared before and after lease renewal.

(Note 2) The total of rent associated with the blocks in the Urban type property is shown which are subject to the renewal due to the contract maturity for each period.

(Note 3) Rent growth is calculated as the difference in rent revenue before and after the tenant replacement, divided by the rent revenue before the tenant replacement. Rent revenue refers to the sum of monthly rent and monthly common area charge determined in the lease agreement.

### Example of rent increase

#### G-Bldg. Shinsaibashi 02



Leased to a tenant that is highly competitive and benefits from inbound tourism with desirable lease terms

	Floor area	Rent growth (Note 3)
1 tenant	Approx. 300 tsubo	+40.6%

#### G-Bldg. Umeda 01



Leased to a tenant as its first store in Kansai area with desirable lease terms

	Floor area	Rent growth (Note 3)
1 tenant	Approx. 100 tsubo	+48.1%

#### G-Bldg. Minami Aoyama 02



Achieved rent increase upon rent revision, against a backdrop of increasing market rent

	Floor area	Rent growth (Note 3)
1 tenant	Approx. 350 tsubo	+26.0%

P17, Looking now at examples of where we have successfully secured an increase in rent at urban-type properties.

The graph at the left of the page depicts trends in rent revisions.

While a little difficult to understand, the data that runs along the bottom of the graph is the total amount of monthly rents that are subject to revision by period.

For example, in the 29th period, rents decreased 0.8 million yen for contracts subject to renewal totaling 34 million yen on a monthly basis.

Contracts totaling around 111.3 million yen were subject to revision in the 30th period. While rents for a large portion of this total were revised upward, rents declined for certain contracts. In net terms, rents increased 16.2 million yen on a monthly basis.

In order to secure a particular block over the long term, we are seeing a growing number of tenants agree to a revision before their contract is up for renewal. Rents for a portion of those contracts subject to revision during the 31st and 32nd periods have already been revised. In all of these cases, rents have been increased.

At the right side of the page, we provide details of a few select examples where rents have been increased. Of particular note are G-Bldg. Shinsaibashi 02, where we have been successful in attracting tenants on the back of robust inbound demand and lifting rents 40.6%; G-Bldg. Umeda 01, which has seen a surge in tenants entering the Kansai market for the first time and a 48.1% upswing in rents; and G-Bldg. Minami Aoyama 02, where negotiations with existing tenants has resulted in a 26.0% increase in rents.

This improvement in rents has been especially marked in major retail and commercial areas including Ginza, Omotesando, and Shinsaibashi since around 2014. Recently, we have seen a considerable number of new brands enter the Greater Tokyo market. As retail operators attempt to raise their profile by opening high street frontage stores, conditions are ripe for a fiercely competitive market.

## Achieve 100% occupancy by attracting a tenant whose business matches with the property's location

### G-Bldg. Kyoto Kawaramachi 01

#### Introduction of a hotel tenant to the vacant floors

##### Location

- ✓ The area around Shijo-Kawaramachi, where the Property is located, is a bustling shopping and entertainment district with large commercial facilities, roadside stores of popular fashion brands, entertainment facilities, restaurants, and fashion buildings.
- ✓ The property faces Kawaramachi Street, which is frequently visited by foreign tourists in addition to domestic visitors
- ✓ The property locates in a perfect spot for Kyoto visit, surrounded by famous sightseeing spots such as Nijo Castle, Kyoto Imperial Palace, Yasaka Shrine, Kiyomizudera temple, Gion and Kyoto Station.



##### Points on leasing

- ✓ Successfully secured Global Agents (stylish compact hotel) as the new tenant for Floor 4-8, leveraging the per-floor leasable area of Approx. 80 tsubo
- ✓ Achieved rent revenue higher than anticipated upon acquisition, by changing the use of the vacant space from a Karaoke shop to hotel floors, and successfully attracted a tenant which better matches with the surrounding area

• Estimation upon acquisition (Mar. 18, 2016)

Number of tenants	3
Occupancy	36.2%
Normalized NOI yield	4.4%



• After lease-up (anticipated on Jul. 1, 2017)

Number of tenants	4
Occupancy	100.0%
Normalized NOI yield	5.0%

### THE MILLENNIALS KYOTO

Anticipate to open in mid-July, 2017

#### INFORMATION

- Number of beds 150
- Co-working space
- Lounge space
- Shower rooms

Image



On page 18, turning to a representative example of JRF's leasing activities.

While taking a little longer than originally expected, JRF has attracted a hotel to take up five and a half floors of G-Bldg. Kyoto Kawaramachi 01, which was acquired in March last year.

We had already received notification that the existing tenant and karaoke store would vacate the five and a half floors at the time of acquisition. Confident in our ability to re-lease this vacant space, we went ahead with the purchase.

Plans are in place for Global Agents Co., Ltd. to outfit and operate the five and a half floors as a new style of budget hotel.

As a result, JRF is now looking at an estimated future annual NOI of 5%. This 0.6 of a percentage point higher than the anticipated yield at the time of acquisition.

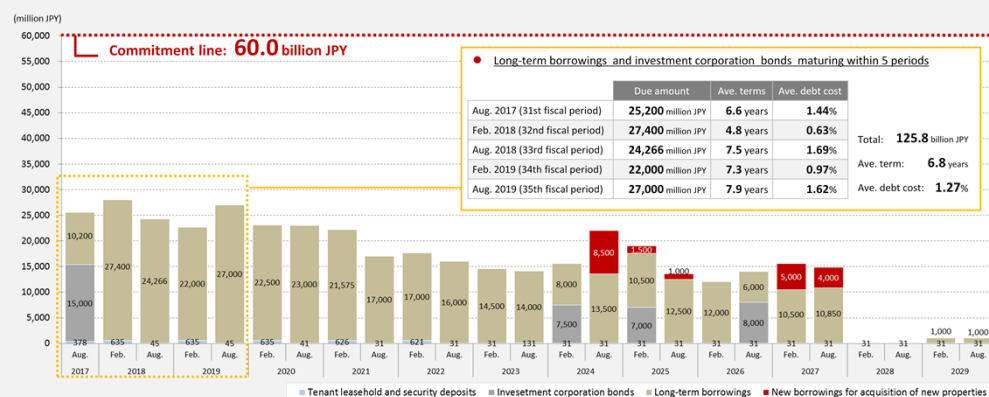


Newly acquired property  
G-Bldg. Shinsaibashi Q3(Bldg. B)

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

## Stable debt management by leveling of repayment amount while reducing debt cost

## ■ Maturity ladder



## Recent refinance activities

- Procured longer debt with cheaper interest through recent refinance activities.

## &lt;Refinance in December 2016&gt;

Debt matured	
Amount	5,000 million JPY
Ave. debt cost	0.84%
Ave. term	5.0 years
Date borrowed	December 2011

Refinance debt	
Amount	5,000 million JPY
Ave. debt cost	0.65%
Ave. term	10.0 years
Date borrowed	December 2016

## New borrowings for acquisition of new properties

- 20.0 billion JPY of fixed-rate borrowings from 11 leading domestic financial institutions
- Average term of 8.4 years, which is longer than the average remaining period of our borrowings (Feb. 2017 period (30<sup>th</sup>): 4.4 years)
- Date of borrowing set in Mar. 2017 (completed), May 2017 and July-October 2017, on the anticipated acquisition dates

New borrowings	
Amount	20,000 million JPY
Ave. debt cost	0.66%
Ave. term	8.4 years
Date borrowed	March 2017, etc.

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P20, I would like to comment on JRF's financial strategy.

As usual, we provide details of JRF's maturity ladder. As you can see, the amount of repayment remains steady at around 25 billion yen for each six-month period. JRF has also secured a commitment line of credit totaling 60 billion yen, which allows us to address any sudden financial crisis.

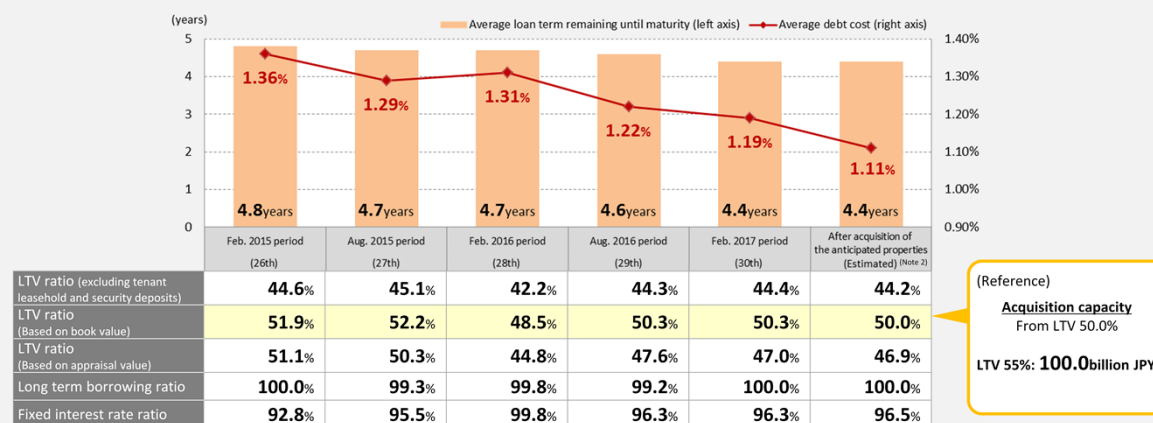
Details of JRF's refinance activities in December last year, together with the debt financing undertaken in conjunction with its follow-on offering in March 2017, are presented along the bottom of the page. As far as refinancing activities are concerned, JRF procured 5 billion yen with a term of 10 years at an average interest rate of 0.65%. From a debt financing perspective, JRF procured 20 billion yen with a term of 8.4 years at an average interest rate of 0.66%. In each case, the average debt cost is significantly lower than the average interest rate of 1.19% for the portfolio as a whole.

JRF plans to refinance debt totaling 125.8 billion yen through to the August 2019 35th period. Should the current interest rate environment continue into the future, we expect a substantial reduction in the current average cost on existing debt of 1.27% going forward.

## LTV management for stable financial base

## ■ Financial indices (Note 1)

- LTV benchmark : 45% - 55%
- Aim to strengthen stable financial base while carefully focusing on debt cost control



(Note 1) Calculation includes the tenant leasehold and security deposits.

(Note 2) Estimated figures for the end of the 31st period ending Aug. 2017, reflecting the impact of acquisition of Kasugai (land) and G-Bldg. Shinsaibashi 03 (Bldg. B) and borrowings together with the acquisitions

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In terms of its financial stability, and as indicated on this page, 100% of JRF's debt will have been procured on a long-term basis after purchasing the properties earmarked for acquisition. Virtually all of this debt is at a fixed rate of interest with an average loan term remaining until maturity of 4.4 years and an average debt cost of 1.11%.

Our book value LTV is 50.0% and our LTV ratio (excluding tenant leasehold and security deposits) is 44.2%. For reference, JRF's LTV on a market value basis is 46.9%. This reflects the substantial balance of unrealized gains.

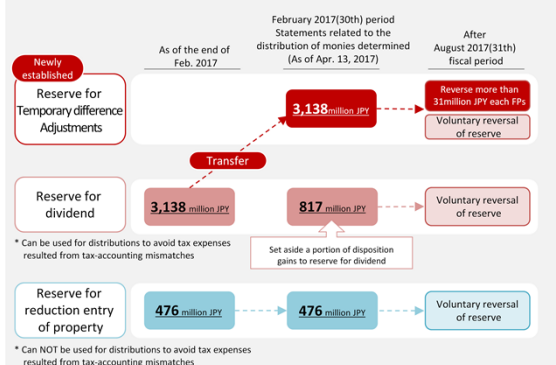
JRF maintains an LTV benchmark range of between 45 and 55% on a book value basis. Our acquisition capacity comes in at approximately 100 billion yen at the upper limit of 55%.



## Use of reserve for stable distributions

### Transfer the balance of Reserve for dividend into Reserve for Temporary difference Adjustments (RTA)

- The rule of RTA was introduced in the Japan Tax Reform FY2015
- Transfer all of the current balance of Reserve for dividend of 3,138 million JPY as of the end of February 2017 into RTA.
- Reverse the RTA more than ¥31million each fiscal periods in 50 years after August 2017(31th) fiscal period, which amount is 1% (1/100) of the balance of RTA as of the end of February 2017.



### Use of reserve for stable distributions

#### Policies for the use of reserve

##### Maintain stable distributions

Reserve for Temporary difference Adjustments	3,138 million JPY <sup>(Note 1)</sup>
Reserve for dividend	817 million JPY <sup>(Note 1)</sup>
Reserve for reduction entry of property	476 million JPY <sup>(Note 1)</sup>

**Total reserve** 4,432 million JPY<sup>(Note 1)</sup>

Reserve per unit: 1,661 yen<sup>(Note 2)</sup> (compared to previous period +245yen)

#### Specific use of reserve

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

(Note 1) As of Apr. 13 when the distribution statements in the financial statements of fiscal period ended Feb. 2017 was approved by the JRF's Board of Directors.

(Note 2) Based on the number of outstanding investment units as of April 13, 2017 (2,667,198 units)

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Following a revision to Japan's tax system in 2015, changes in the accounting treatment of certain items included the introduction of a reserve for temporary difference adjustments. As a result, an amount totaling 3 billion 138 million yen was transferred from the reserve for dividends to the reserve for temporary difference adjustments as of the end of the February 2017 30th period.

As a part of the aforementioned changes, companies are required to reverse and drawdown the reserve for temporary difference adjustments over a maximum of 50 years from the next fiscal period in a pre-determined manner. Accordingly, JRF plans to reverse its reserve by a figure that in fact exceeds the straight-line amount required over 100 periods or 50 years effective from the August 2017 31st period. While I will explain in more detail later in this presentation, the straight-line amount over a 50-year period will have a positive impact of 11 yen per unit based on the current number of investment units.

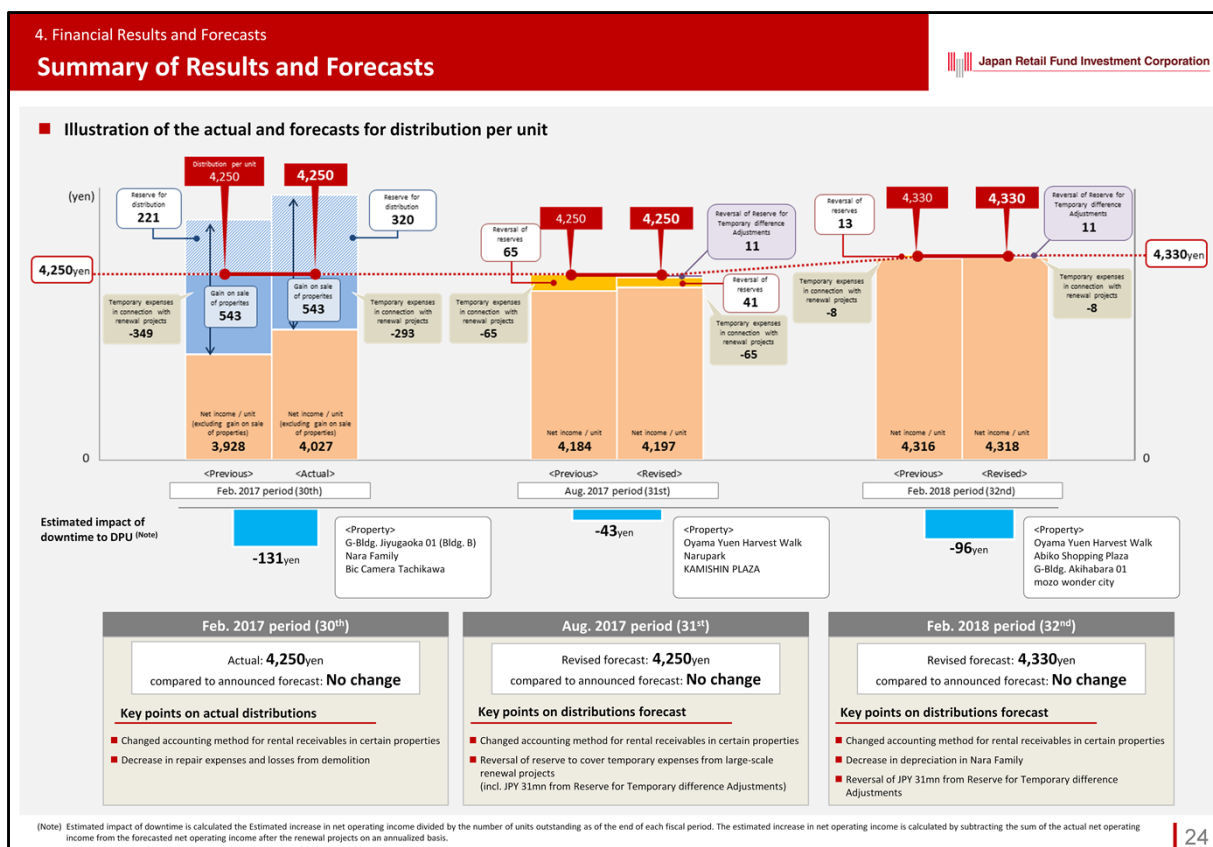
As indicated at the bottom left of the page, JRF has newly established three types of reserves as a result of this system.

Policies regarding the specific use of reserves are presented at the bottom right of the page. While we plan to allocate reserves to such items as temporary expenses in connection with the renewal and reconstruction of existing assets, we will take into consideration the degree of allocation freedom when determining in which order to reverse each reserve. On this basis, we intend to first reverse the reserve for reduction entry of property, and then the reserve for temporary difference adjustments, followed by the reserve for dividend, where a transfer is not required as a result of an allowance in the current 31st period.



Newly acquired property  
G-Bldg. Naha-shintoshin 01

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



Here, we provide a summary of JRF's results in a bar graph format outlining trends in distributions.

The orange colored portion of the bar graph represents net income per unit excluding gains on the sale of properties.

JRF's DPU came in at 4,250 yen for the February 2017 period, which is in line with previously announced forecasts. From an accounting perspective, the reduction in construction expenses as a deductible item and the absence of renovation work that had been factored in as a part of efforts to attract tenants helped push up net income per unit 99 yen. At the same time, the reserve for distribution increased by an equal amount of 99 yen. This largely reflected the gain on sale attributable to disposal of JRF's 51% equity interest in AEON MALL Kashiihama. As a result, DPU remained unchanged at 4,250 yen.

In the current August 2017 31st period, JRF has implemented changes to its accounting method for rental receivables for certain properties. With this change net income per unit is expected to increase 13 yen compared with the previously announced forecast, to 4,197 yen. In addition, and as I mentioned a moment ago, reversal of the reserve for temporary difference adjustments will begin lifting DPU 11 yen. After accounting for the amount of reserve reversal reduction, our DPU forecast of 4,250 yen remains unchanged.

Turning to the February 2018 32nd period, downtimes at certain properties including Narupark and KAMISHIN PLAZA will come to an end. Coupled with the positive flow-on effects of renovation, increases in rents at such urban properties as Gyre and Minami Aoyama 01, and an additional 70 yen attributable to the follow-on offering, net income per unit is projected to reach 4,318 yen. Taking into account the amount of reserve for temporary difference adjustments depreciation, DPU is anticipated to come in at 4,330 yen.

Meanwhile, the DPU forecast for this period factors in a negative impact equivalent to 96 yen. This reflects downtimes as a result of 4 large-scale renewals including 2nd phase construction work at mozo wonder city and Oyama Yuen Harvest Walk.

	Aug. 2016 Period (29th) (Actual)	Feb. 2016 Period (30th) (Actual)	Change	Feb. 27, 2017 (Revisions of forecast)	Change
Operating revenue	37,078	31,585	(5,493)	31,617	(32)
Operating expenses	23,237	17,603	(5,633)		
(Rent NOI)	21,812	21,141	(670)	20,907	+234
Operating income	13,841	13,981	+140	13,733	+247
Non-operating revenue	2	3	+0		
Non-operating expenses	2,447	2,319	(127)		
Ordinary income	11,396	11,665	+268	11,413	+251
Extraordinary loss	575	—	(575)		
Net income	10,820	11,664	+843	11,413	+251
Allocation to reserve	—	(Note 1) 817	+817	566	+251
Reversal of reserve	25	—	(25)	—	—
Total distribution	10,846	10,846	—	10,846	—
Units outstanding	2,552,198 units	2,552,198 units	—	2,552,198 units	—
DPU	4,250 yen	4,250 yen	—	4,250 yen	—
FFO per unit	6,217 yen	6,234 yen	+17 yen	6,135 yen	+99 yen
FFO pay out ratio	68.4 %	68.2 %	—	69.3 %	—
Capital expenditures	1,675	7,969	+6,294	8,187	(218)
Repair expenses	227	815	+587	974	(158)
Total	1,902	8,784	+6,882	9,161	(377)
Depreciation	6,017	5,632	(384)	5,634	(1)

(Note 1) Balance of allocation to reserve after approval of distributions at the JRF board directors meeting on Apr. 13, 2017

(Note 2) Net income + loss on sales of real estate, etc. - gain on sales of real estate, etc. + depreciation + other real estate related depreciation / total units outstanding

(Note 3) Million JPY unless otherwise noted.

#### Major factors behind change during Feb. 2017 (30th) period (Compared to previous period)

(million JPY)	
Operating revenues	(5,493)
✓ Rent revenue related to disposed 3 suburban properties	(1,180)
✓ Rent revenue related to disposed AEON Mall Kashiihama	(294)
✓ Increased rent revenue related to the newly acquired assets	+213
✓ Absence of the gain on sale of properties	(4,841)
✓ Existing properties (increase in sales-linked rent +123, decrease in utility revenue (117), increase in penalty revenue +465, others +131)	+609
Operating expenses	(5,633)
✓ Expense related to disposed 3 suburban properties	(852)
✓ Expense related to disposed AEON Mall Kashiihama	(79)
✓ Expense related to the newly acquired assets	+41
✓ Absence of the loss on sale of properties	(5,257)
✓ Existing properties (increase in repair expenses+594, decrease in utility expenses (210), increase in PM fees+62, increase in promotion expenses +181, decrease in depreciation (83))	+523
Operating income	+140
✓ Decrease in interest payments	(105)
✓ Absence of amortization of unit issuance costs	(22)
Ordinary income	+268
✓ Absence of extraordinary losses (settlement package for reaching accommodation with tenant)	+575
Net income	+843

#### Major factors behind change during Feb. 2017 (30th) period (Compared to the revised forecast as of Feb. 27, 2017)

(million JPY)	
Operating revenues	(32)
✓ Changes in accounting method for accrued rent receivable in some properties	(38)
✓ Decrease in sales-linked rent	(28)
✓ Reduced utility charge received	(26)
✓ Increase in other revenues	+61
Operating expenses	+279
✓ Decrease in repair expense	(158)
✓ Decrease in utility expense	(35)
✓ Decrease in promotion expense	(20)
✓ Decrease in loss on disposal of fixed assets	(50)
✓ Decrease in SGA	(12)
Operating income	+247
Ordinary income	+251
Net income	+251

On pages 25, 26, and 27 of the presentation materials, we provide background details for movements in financial results as well as forecasts. We ask that you review at your leisure.

	Aug. 2016 Period (29th) (Actual)	Feb. 2017 Period (30th) (Actual)	Change
Total assets (1)	858,390	856,627	(1,763)
Total liabilities	443,116	439,971	(3,144)
Interest-bearing liability (2)	380,391	379,991	(400)
Tenant leasehold and security deposits (3)	51,147	50,713	(433)
Net assets	415,274	416,655	+1,381
LTV $((2)+(3)) / (1)$	50.3 %	50.3 %	+0.0 points
LTV (2) / (1)	44.3 %	44.4 %	+0.0 points
Long-term borrowings ratio	99.2 %	100.0 %	+0.8 points
Fixed interest rate ratio	96.3 %	96.3 %	(0.0) points
Average debt cost	1.22 %	1.19 %	(0.03) points
Number of properties	93 properties	92 properties	(1) property
Aggregate acquisition price	848,515	847,281	(1,233)
Unrealized profits and losses	+ 103,646	+ 114,643	+10,997
Book value	803,637	801,896	(1,741)
Appraisal value	907,284	916,540	+9,256

## &lt;Reference: Balance of reserve&gt;

Balance of reserve	3,614	4,432	+817
Reserve for dividends	3,138	3,956	+817
Reserve for reduction entry of property	476	476	—

(Note) Million JPY unless otherwise noted.

■ Major factors behind change during Feb. 2017 (30th) period  
(Compared to previous period)

	(million JPY)
Total assets	(1,763)
✓ Acquisition of new properties through asset replacement etc.	+5,749
✓ Disposition of existing properties	(5,915)
✓ Depreciation	(5,632)
✓ Capital expenditures	+7,969
✓ Construction in progress account	(3,995)
Total liabilities	(3,144)
✓ Repayment of borrowings	(400)
✓ Repayment of tenant leasehold and security deposits	(433)
✓ Accrued consumption tax etc.	(920)
✓ Derivatives liabilities	(563)
Net assets	+1,381
✓ Increase in net revenue	+843
✓ Deferred gain and losses on hedges	+563

## Forecasts for the Coming Two Periods

	Feb. 2016 Period (30th) (Actual)	Aug. 2017 Period (31st) (Forecast)	Change	Feb. 2018 Period (32nd) (Forecast)	Change
Operating revenue	31,585	31,040	(544)	31,259	+218
(Rent NOI excluding on sale)	21,141	22,329	+1,187	22,625	+296
Operating income	13,981	13,535	(445)	13,783	+247
Ordinary income	11,665	11,195	(469)	11,518	+322
Extraordinary loss	—	—	—	—	—
Net income	11,664	11,195	(469)	11,517	+322
Allocation to reserve	817	—	(817)	—	—
Reversal of reserve (Note 1)	—	140	+140	31	(109)
Balance of reserve (Note 2)	4,432	4,292	—	4,260	—
Total distribution	10,846	11,335	+488	11,548	+213
Units outstanding	2,552,198 units	2,667,198 units	+115,000 units	2,667,198 units	—
DPU	4,250 yen	4,250 yen	—	4,330 yen	+80 yen
FFO per unit (Note 3)	6,234 yen	6,354 yen	+120 yen	6,491 yen	+137 yen
FFO pay out ratio	68.2 %	66.9 %	—	66.7 %	—
Capital expenditures	7,969	1,848	(6,120)	2,383	+534
Repair expenses	815	303	(511)	277	(26)
Total	8,784	2,152	(6,632)	2,660	+508
Depreciation	5,632	5,753	+120	5,797	+43

(Note 1) For Reversal of reserve, the lower limit is set as the 31 million JPY period reversal from Reserve for Temporary difference Adjustments, and the upper limit is set as the temporary expenses from the renewal projects listed below.

	Aug. 2017(31st) period	Property	Feb. 2018 (32nd) period	Property
Temporary expenses in connection with renewal projects	174 million JPY	mozo wonder city,	21 million JPY	Nara Family,
Demolition costs, compensation costs, etc.	121 million JPY	Oyama Yuen HW,	11 million JPY	G-Bldg. Akihabara 01,
Loss on disposals of fixed assets	53 million JPY	Nara Family,	9 million JPY	etc.
		KAMISHIN PLAZA, etc.		

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

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

(Note 4) Million JPY unless otherwise noted.

## Major factors behind change during Aug. 2017 (31st) period

(Compared to actual results of Feb. 2017 (30th) period)

(million JPY)

Operating revenues	(544)
✓ Rent revenue related to the properties acquired together with the equity offering in 2017	+871
✓ Rent revenue related to the disposed 2 suburban properties	(222)
✓ Rent revenue related to new acquisition as a part of asset replacement	+135
✓ Absence of the gain on sale of properties	(1,385)
✓ Existing properties (increase in rent +536, increase in utility revenues +137, decrease in penalty income (380), Others (236))	+57
Operating expenses	(98)
✓ Expense related to the properties acquired together with the equity offering in 2017	+238
✓ Expense related to the disposed 2 suburban properties	(103)
✓ Expense related to new acquisition as a part of asset replacement	+48
✓ Existing properties (property-related taxes +70, repair and maintenance (516), increase in utility expenses +264, decrease in PM fee (105), decrease in promotion expenses (117), increase in demolition costs +15, increase in depreciation +58, others (80))	(408)
✓ Increase in general administration fees	+126
Operating income	(445)
✓ Increase in amortization of unit issuance costs	+22
Ordinary income	(469)
Net income	(469)

## Major factors behind change during Feb. 2018 (32nd) period

(Compared to forecast for Aug. 2017 (31st) period)

(million JPY)

Operating revenues	+218
✓ Full period operation of properties acquired together with the equity offering in 2017	+367
✓ Decrease in rent revenue due to the disposition of Ito-Yokado Kamifukuoka-higashi	(35)
✓ Rent revenue from full period operation of the new property acquired as a part of the asset replacement	+27
✓ Existing properties (decrease in rent revenue (40), absence of penalty income (88), others (12))	(140)
Operating expenses	(29)
✓ Expenses related to full period operation of properties acquired together with the equity offering in 2017	+70
✓ Decrease in expenses due to the disposition of Ito-Yokado Kamifukuoka-higashi	(14)
✓ Expenses related to full period operation of the new property acquired as a part of the asset replacement	+9
✓ Existing properties (decrease in repair expenses (23), decrease in utility expenses (138), increase in PM fee+58, Increase in promotion expenses+42, decrease in demolition costs(43),increase in depreciation +27, others (18))	(99)
✓ Increase in general administration fees	+5
Operating income	+218
✓ Decrease in interest payments	(53)
✓ Decrease in amortization of unit issuance costs	(21)
Ordinary income	+322
Net income	+322





On-book renovation of aged properties  
G-Bldg. Jiyugaoka 01 (Bldg. B)

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

## Our ESG (Environmental, Social, Governance) initiatives

### ESG Initiatives driven by our asset management company

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

#### ■ UNEP Finance Initiative(UNEP FI)



The first asset management company of J-REIT to sign

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

#### ■ UN Global Compact(UN GC)



The first asset management company of J-REIT to sign

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



### Recognition from third parties (GRESB)

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



### Energy consumption track record

(Note 1)

Energy consumption track record is shown in the table below.

	Electricity (Mwh)	Fuel (Mwh)	Water (thousand m <sup>3</sup> )	CO <sub>2</sub> emission (Thousand t CO <sub>2</sub> )
FY 2014	256,546	77,936	1,754	145
FY 2015	250,305	77,303	1,709	142

(Note 2)

### CASBEE for Building Certificates/ DBJ Green Building Certification

As a result of our initiatives in sustainability management, 4 of our properties were newly certified with CASBEE in February 2017, and 5 of our properties were newly awarded DBJ Green Building certifications in March 2017

#### ■ CASBEE for Building Certificates



Certification Rank: **S Rank**

- AEON MALL Yamato
- Ario Otori
- AEON MALL Kobe Kita
- AEON MALL Sapporo Naebo

#### ■ DBJ Green Building Certification

Properties with excellent environmental & social awareness	• Bic Camera Tachikawa • KAMISHIN PLAZA
Properties with high environmental & social awareness	• SEIYU Hibirigaoka
Properties with satisfactory environmental & social awareness	• La Porte Aoyama • pivo Izumi Chuo

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

(Note 2) Emission factor for conversion is defined in Act on Promotion of Global Warming Countermeasures in Japan; CO<sub>2</sub> emission only includes Scope 3 and 2.

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In closing, I refer you to page 29, where we provide details of JRF's sustainability management.

JRF has historically engaged in management that takes into consideration its environmental and social responsibilities. Looking at recent examples of our activities, four of our properties newly acquired building certification from the Comprehensive Assessment System for Building Environmental Efficiency certification board. Moreover, five properties received DBJ Green Building Certification from Development Bank of Japan Inc.



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