



Japan Retail Fund Investment Corporation

February 2017 (30th)

Period Results

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

JAPAN RETAIL FUND
INVESTMENT CORPORATION



Security code

8953

US ADR (OTC): JNRFY

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JAPAN RETAIL FUND



Newly acquired property

G-Bldg. Midosuji 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



An area serving as a cultural & information center with high traffic volume and convenience

Locational advantages



A densely populated commercial area that is easily accessible from distant locations and offers a predominantly large site

Urban areas

"Towns"

Retail facilities with tenants that meet the needs of the people who live in the areas in which they are located and are situated in charming towns that attract people

Suburban areas









"Facilities"

Retail facilities that are the largest in their respective areas and serve as anchors of the local community

Investment Target

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

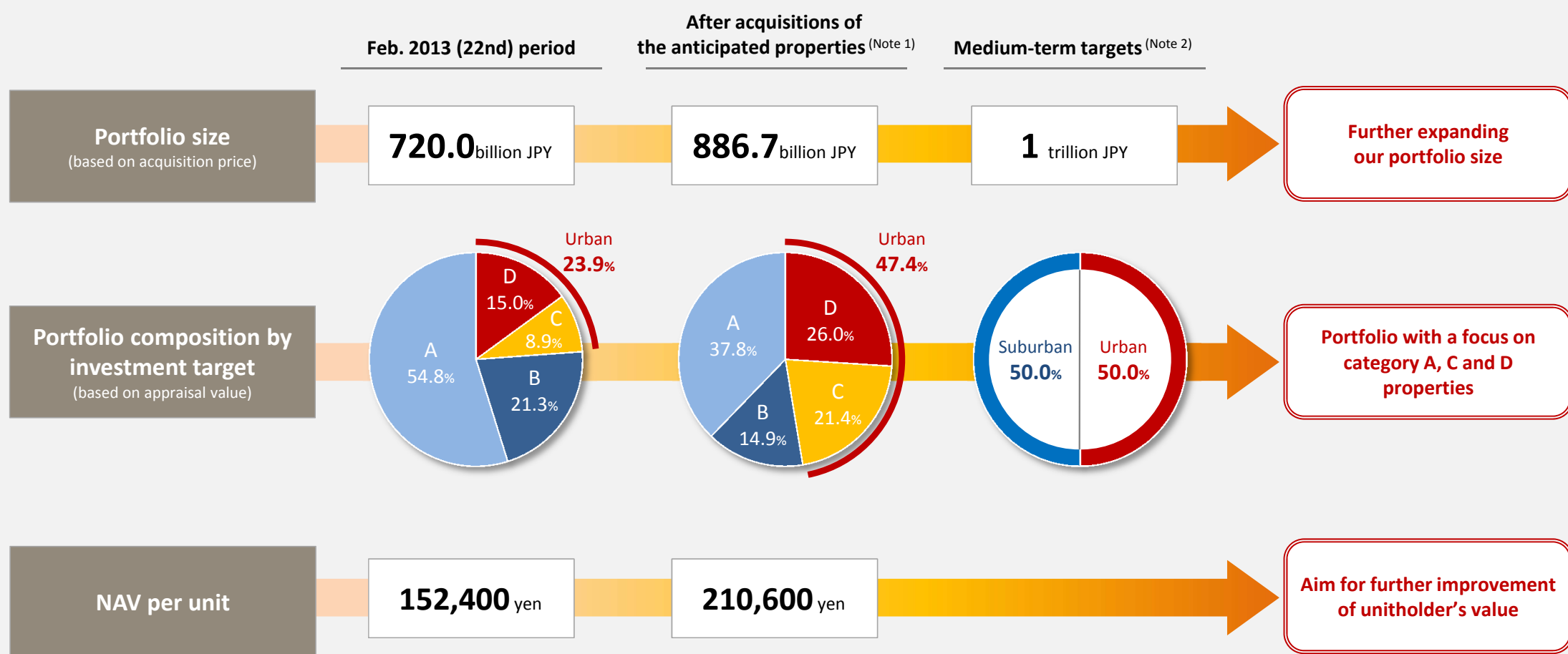
	Categories	Representative properties	Characteristics	Number of properties held		Management policy
				Feb. 28, 2013 (end of 22nd FP)	After acquisition of anticipated properties (Note1)	
Suburban	Large-scale retail properties, the largest class in the relevant area 	 mozo wonder city	<ul style="list-style-type: none"> Large-scale shopping malls consisting of core tenants and 100-200 specialty tenants Attracts customers with sheer facility size, comfortable retail spaces and attractive tenant mix Potential move-out by core tenants has only limited impacts as compared to GMS-type ^(Note 2) properties, as the property consists mostly of specialty stores 	21 _{properties}	17 _{properties}	<ul style="list-style-type: none"> ✓ Continued efforts to keep the "freshness" and "attractiveness" of our facilities through tenant replacements and renovations ✓ 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
	Retail properties in densely-populated areas 	 KAMISHIN PLAZA	<ul style="list-style-type: none"> Retail properties near densely populated trade areas, where people purchase food and daily necessities The properties have limited exposure to changes in the surrounding environment due to their location in densely populated areas <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}	
			(**) JRF will, in principle, avoid acquisition of GMS-type retail properties going forward.	16 _{properties}	11 _{properties}	<ul style="list-style-type: none"> ✓ Disposition of properties with future uncertainties
Urban	Retail properties in favorable locations adjacent to major stations 	 Bic Camera Tachikawa	<ul style="list-style-type: none"> Retail properties located in areas that attract many customers due to their easy access and high traffic volume The properties are part of charming "towns" that are formed around train stations where a variety of tenants are concentrated, thereby attracting people The ability to replace tenants with relative ease due to the location and availability of alternative tenants 	11 _{properties}	24 _{properties}	<ul style="list-style-type: none"> ✓ Securing tenants that feature the characteristic of the retail area, keep up with the trend and attractive to customers ✓ Aiming for rental upsizes upon contract renewal
	Retail properties in prime urban shopping districts 	 GYRE	<ul style="list-style-type: none"> Retail properties located in prime commercial districts that attract a variety of people 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 The properties serve not only as retail shops but also as advertising platforms that are less affected by changes in retail sales 	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.

Portfolio Evolution aiming higher locational advantage and easier tenant replacement

■ Portfolio evolution

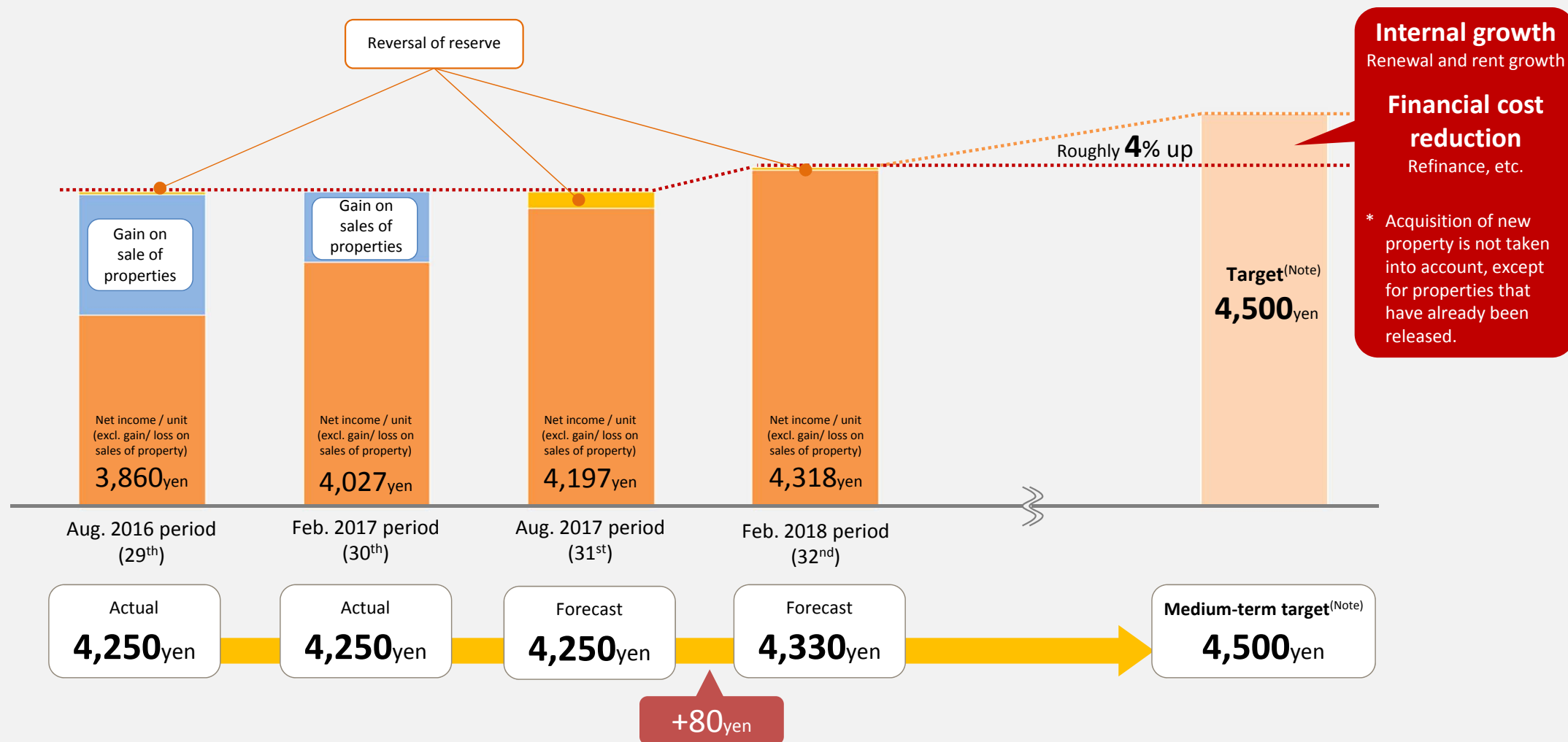


(Note 1) Amounts and percentages for "after acquisitions of the anticipated properties" are calculated by including the figures for the properties we have announced to acquire as of April 13, 2017.

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

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

■ Medium-term target for DPU



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

JAPAN RETAIL FUND



Newly acquired property
MARINE & WALK YOKOHAMA

1. Portfolio Strategy and Medium-Term Target
- 2. Implementation of Growth Strategy**
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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 propose 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



Historical Trends of Property Acquisition and Stabilizing Profitability

Increase profitability and stability based on consecutive acquisition

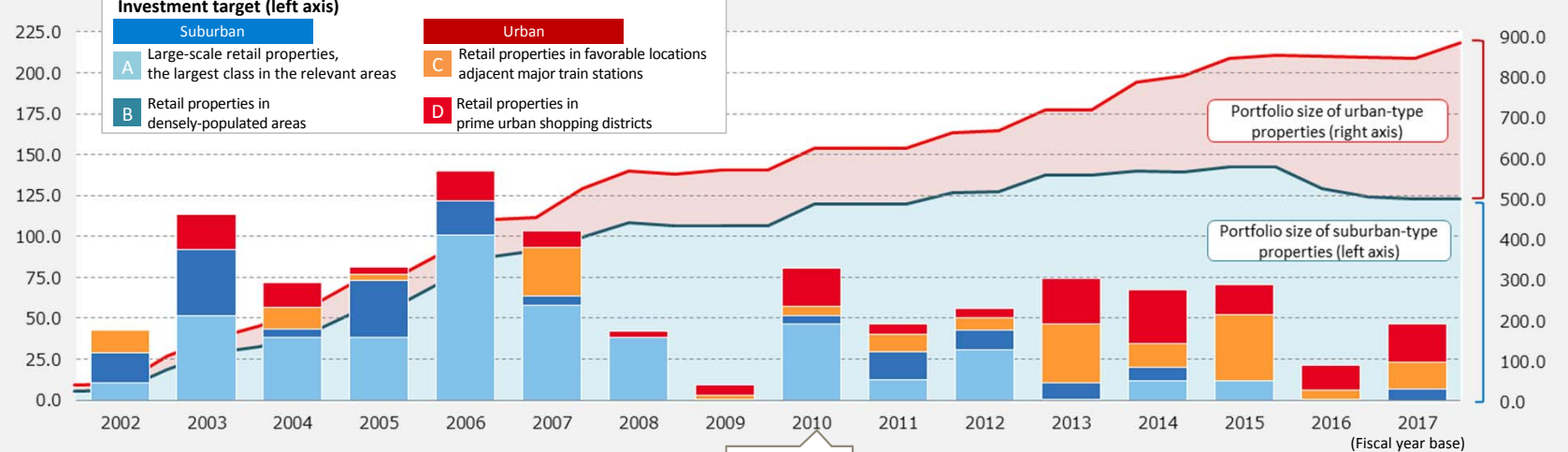
Historical trends since IPO

Portfolio size and breakdown of acquired assets by investment target

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

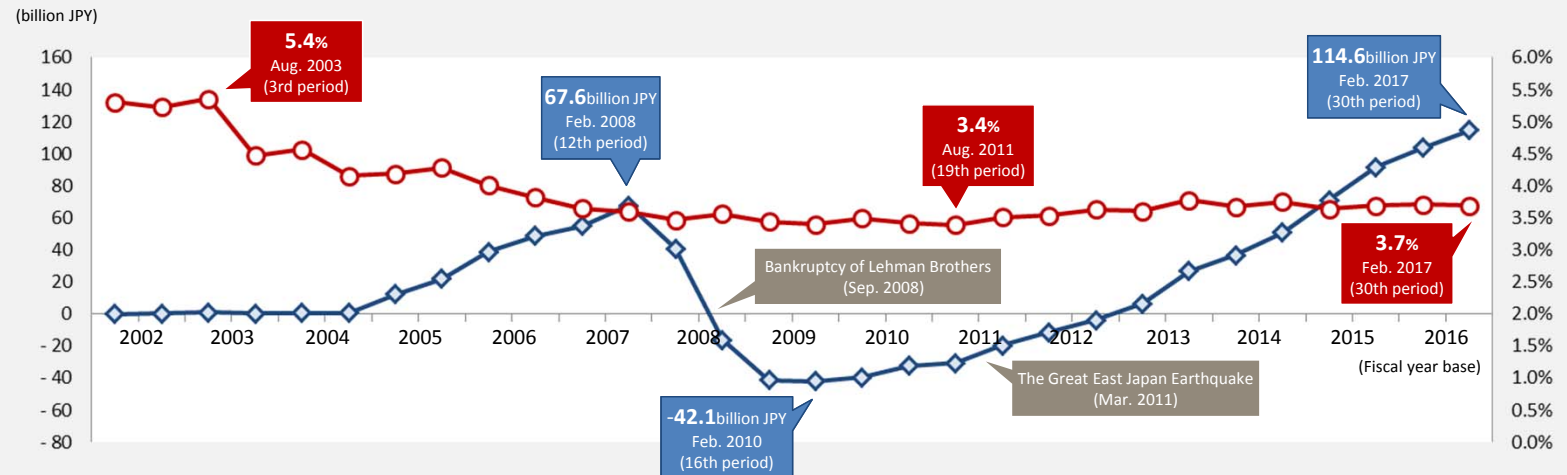
Acquired assets by investment target

(billion JPY)



Portfolio NOI yield (after depreciation) (Note 1) and unrealized profits and losses (Note 2)

(Note 1) NOI after depreciation / Acquisition price
(Note 2) Fiscal year end appraisal value – book value
Excludes non-core assets.



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, **51.3**billion JPY)



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



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



Urban type
PO in 2017
G-Bldg. Shinsaibashi 03 (Bldg. B) (Note 1)
(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



Urban type
PO in 2017
G-bldg. Naha-shintoshin 01
Completed acquisition on March 17, 2017



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



Urban type
PO in 2017
G-Bldg. Midosuji 01
Completed acquisition on March 17, 2017



Urban type
PO in 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



Suburban type
PO in 2017
Kasugai (land with leasehold interest)
Anticipate to acquire this property in September, 2017 (Note 2)

(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.

Strengthen our portfolio with strategic asset replacements

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

Disposition of suburban type property

Disposition of suburban type asset
with high uncertainty for the future



Ito-Yokado Kamifukuoka-higashi (Completed disposition on March 31, 2017)



Disposition price	NOI yield (before depreciation)	NOI yield (after depreciation)
6.08 billion JPY	4.8%	3.4%

Points of disposition

- ✓ Intensified competition faced by GMS-type properties
- ✓ Disposition of an asset that requires drastic measures in respect of tenant replacement
- ✓ Disposition at a best timing leveraging the favorable real estate market condition
- ✓ Disposed nearly equal to the book value

Acquisition of urban type property in prime location

Disposition proceeds of suburban type property
were used to acquire prime urban property



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



Acquisition price	NOI yield (before depreciation)	NOI yield (after depreciation)
4.85 billion JPY	4.2%	3.7%

Points of acquisition

- ✓ An urban retail property facing Tenjin Nishi-dori, a busy street with heavy traffic
- ✓ A property with multiple tenants, where we can leverage our capability in SC management
- ✓ Improve the profitability of our portfolio given its higher NOI yield after depreciation than the property disposed of

Asset replacement

Effect to
our portfolio

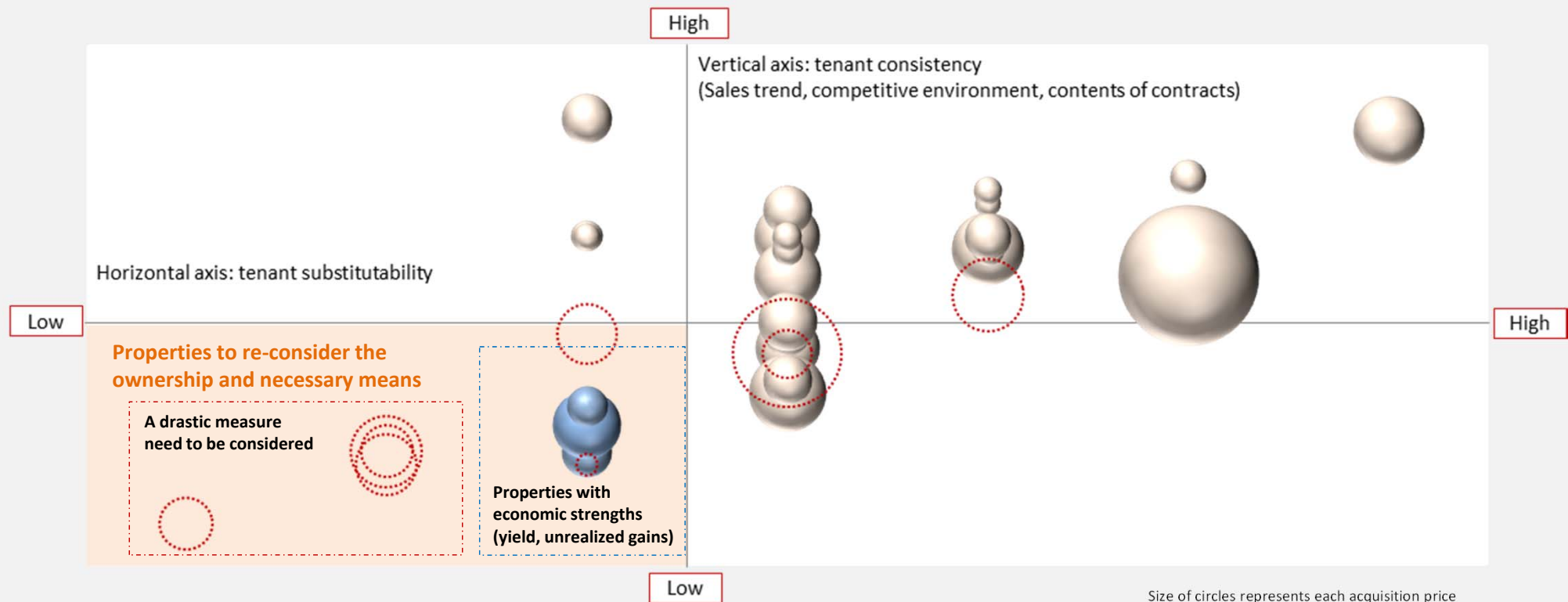
Enhanced portfolio **profitability** and **stability**

Acquisition of a property where we can seek revenue upsides by leveraging our **SC management capability**

Complete the disposition of the property that require drastic measures

■ Current portfolio of 39 suburban properties^(Note) (Single-tenant suburban assets)

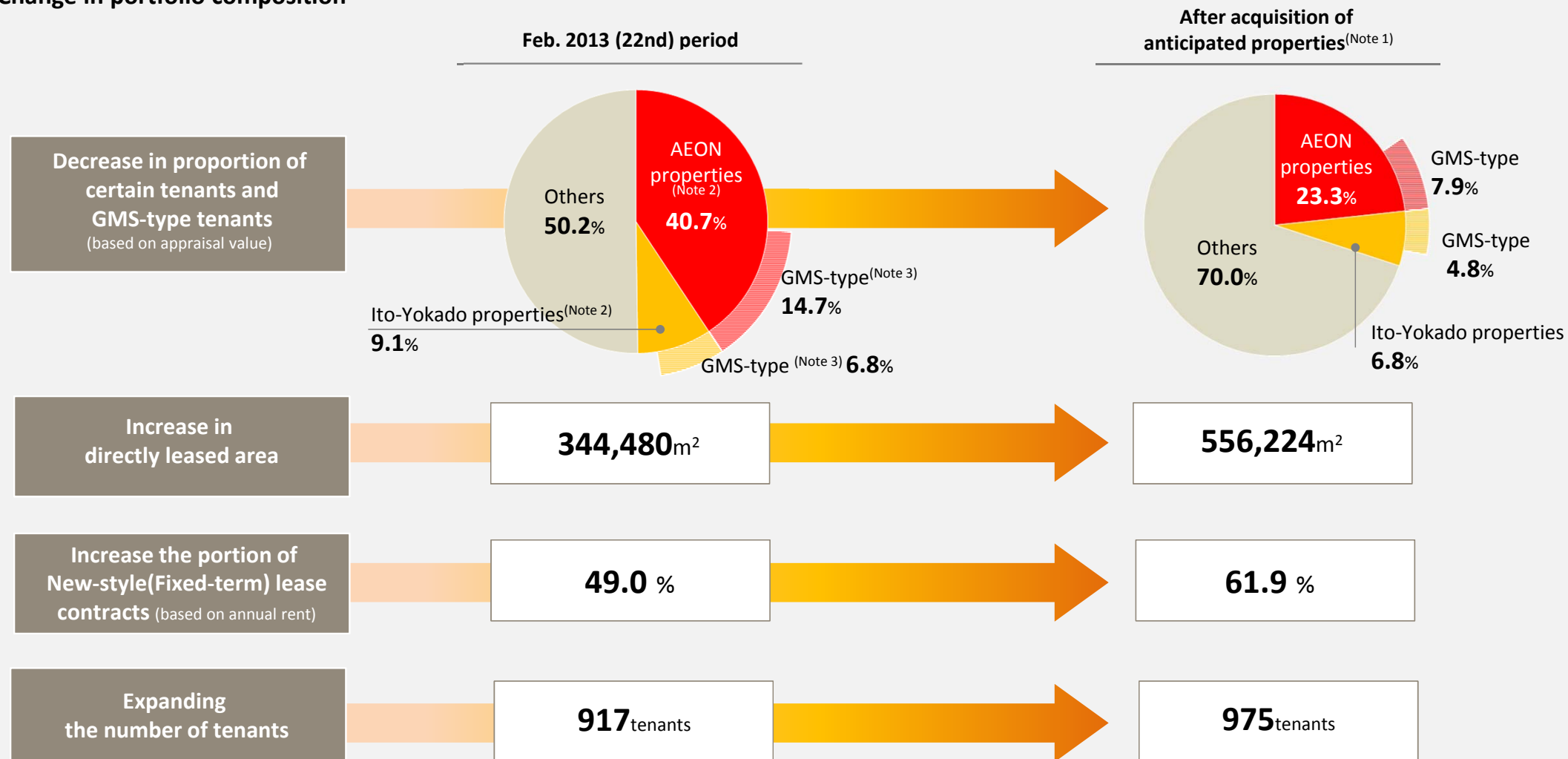
● Properties with NOI yield after depreciation <u>lower</u> than our portfolio average	➡ No such properties
● Properties with NOI yield after depreciation <u>significantly higher</u> than our portfolio average	➡ Consider asset replacement (to secure capital gains) or risk reduction by entering long-term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

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

Change in portfolio composition



(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.

New acquisitions based on asset size expansion and asset replacement strategy

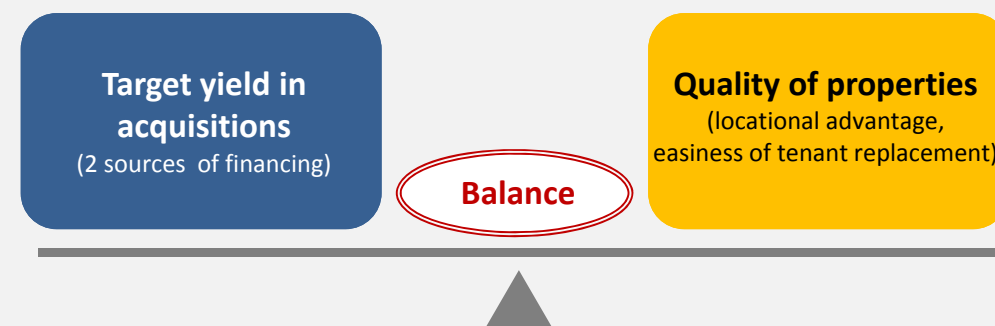
■ Target yield in acquisitions

Acquisition of quality assets leveraging 2 sources of financing

Financing source	Target yield						
Acquisitions together with Equity offerings	Average NOI yield after depreciation of our portfolio 3.7% <small>(as of February 28, 2017)</small>						
Acquisitions as a part of Asset replacement	Average NOI yield after depreciation of properties disposed of 2.9%						
Acquisition capacity ^(Note 1) Approx. 40.8 billion JPY	<table> <tr> <th></th><th>Average NOI yield after depreciation</th></tr> <tr> <td>Dispositions together with asset replacements in and before 2016^(Note2)</td><td>2.8 %</td></tr> <tr> <td>Disposition of Ito-Yokado Kamifukuoka-higashi (March 31, 2017)^(Note3)</td><td>3.4 %</td></tr> </table>		Average NOI yield after depreciation	Dispositions together with asset replacements in and before 2016 ^(Note2)	2.8 %	Disposition of Ito-Yokado Kamifukuoka-higashi (March 31, 2017) ^(Note3)	3.4 %
	Average NOI yield after depreciation						
Dispositions together with asset replacements in and before 2016 ^(Note2)	2.8 %						
Disposition of Ito-Yokado Kamifukuoka-higashi (March 31, 2017) ^(Note3)	3.4 %						

■ 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

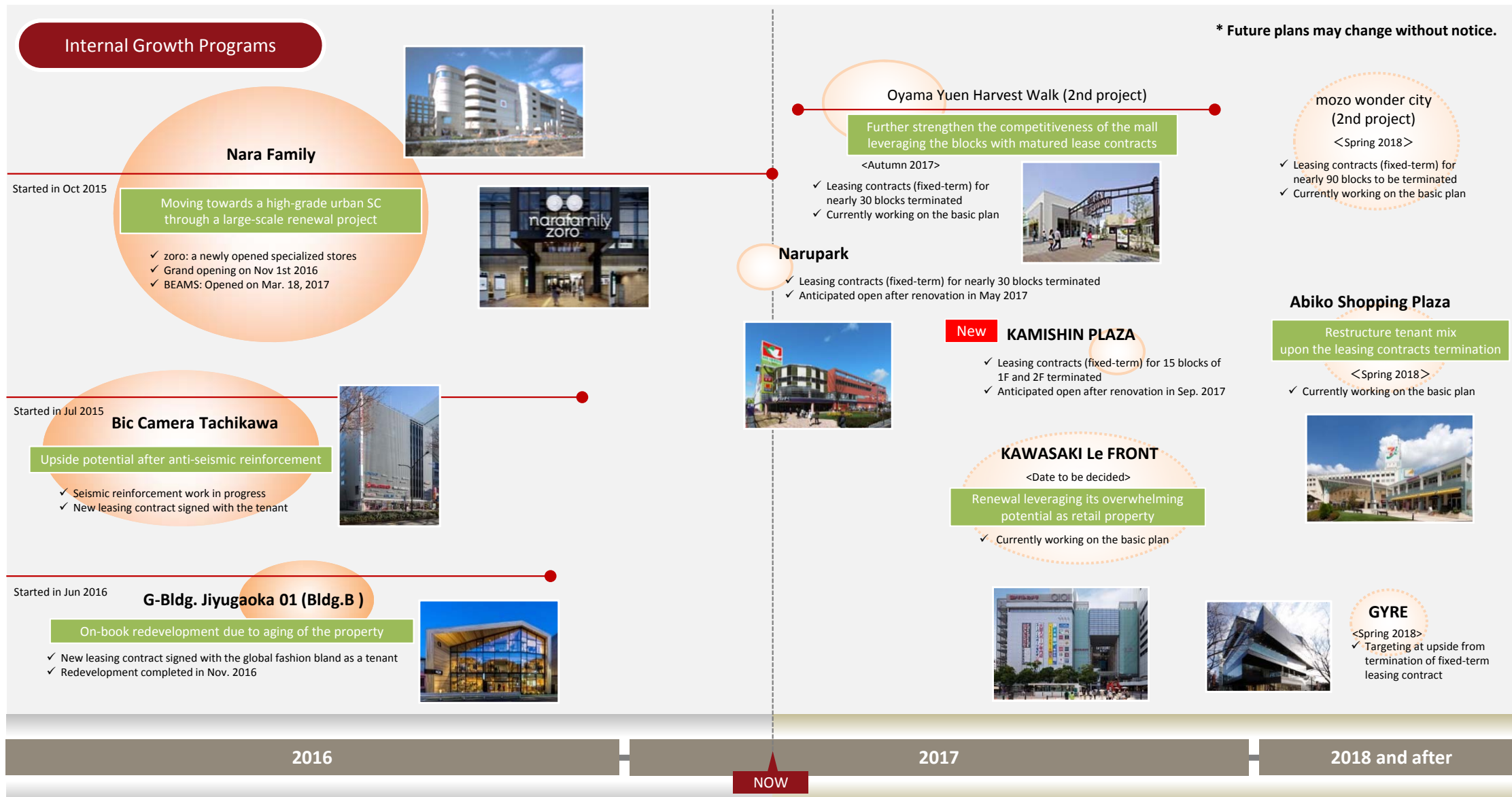
- Aim for our mid-term target of "an AUM of 1 trillion JPY" and "urban properties : suburban properties = 50% : 50%", while continue to enhance the profitability and quality of our portfolio
- Completed disposition of suburban assets that require drastic measures and will keep expanding our portfolio,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

Implement internal growth strategy by leveraging our SC management capability



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 ^(Note1, 2)
In operation	Oyama Yuen Harvest Walk	A	Improved its competitiveness as a retail property by fully upgrading the environmental design, expanding the leasable area with building expansion/renovation, and attracting prominent tenants	Apr. 2014	Expenditure: 1.31 billion JPY ROI: 11.5%
	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: 2.13 billion JPY ROI: 9.8%
	KAMISHIN PLAZA	B	Renovated the floors, following the replacement of key tenants, to attract more customers	Jun. 2016	Expenditure: 290 million JPY ROI: 15.5%
	Ito-Yokado Yotsukaido	A	Constructed an additional building on the same premises to attract new tenants	Jul. 2016	Expenditure: 150 million JPY ROI: 10.4%
Completed	G-Bldg. Jiyugaoka 01 (Bldg. B)	D	Reconstructed the obsolete building under an on-the-book project	Nov. 2016	Expenditure: 570 million JPY ROI: 6.5%
	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: 2.90 billion JPY ROI: 15.3%
	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"> Phase 1 grand open (Nov. 2016) Phase 2 grand open (Spring of 2017) 	Expenditure: 5.10 billion JPY Sales ^(Note3) : 101.3% No. of visitors ^(Note3) : 104.6%

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

Before



After



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

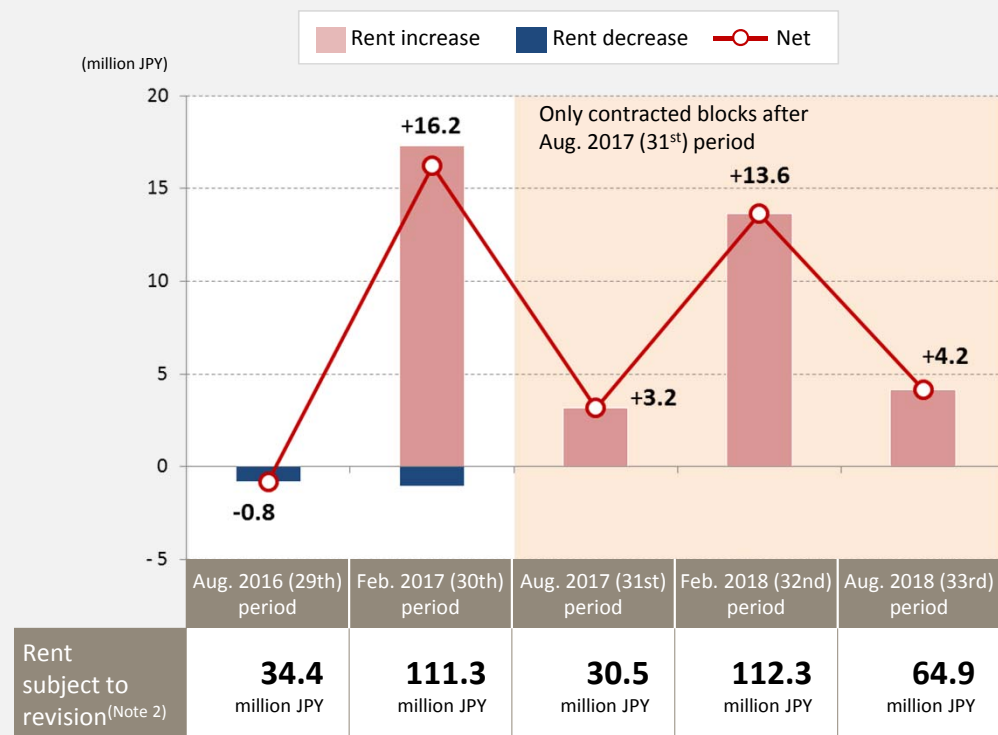
(Note 2) ROI=NOI increase (%) / Expenditures

*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 from the 4 months from Nov.2015 through Mar. 2016.

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

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



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%

(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

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 Place, 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



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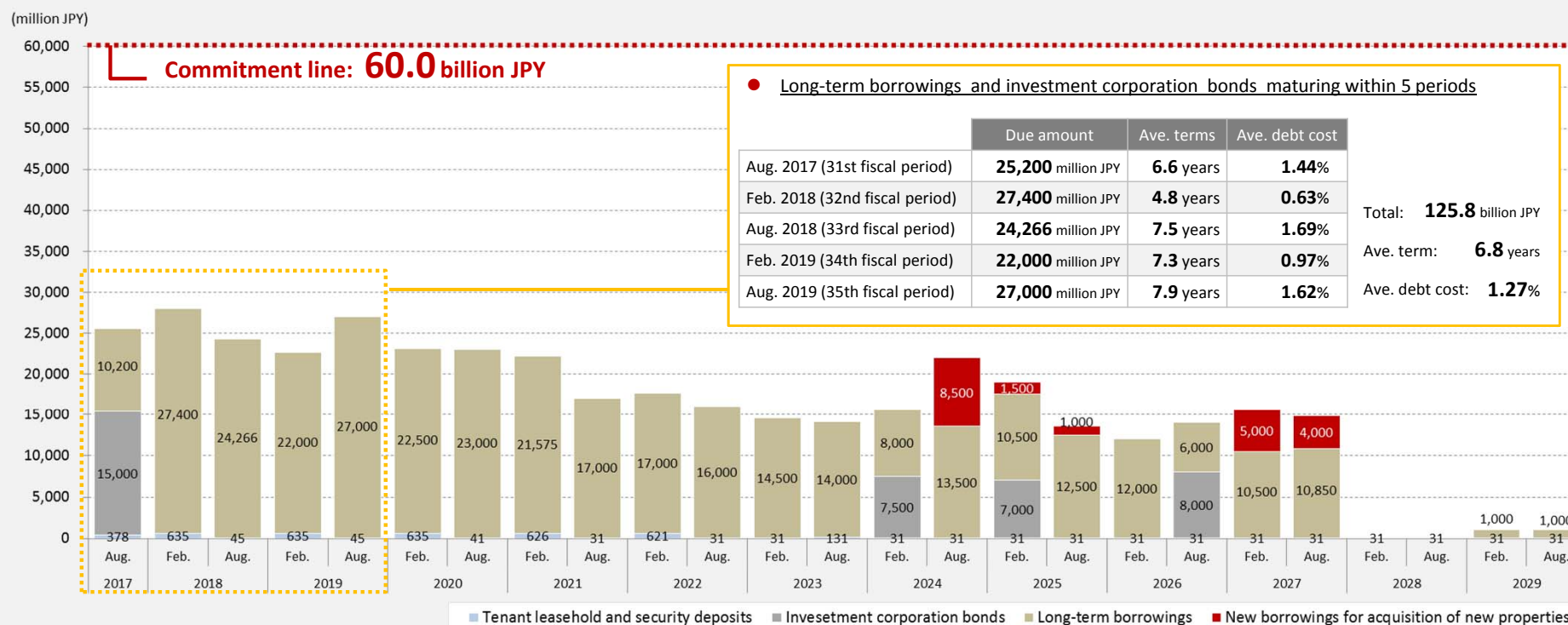


Newly acquired property
G-Bldg. Shinsaibashi 03(Bldg. B)

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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.

<Refinance in December 2016>

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

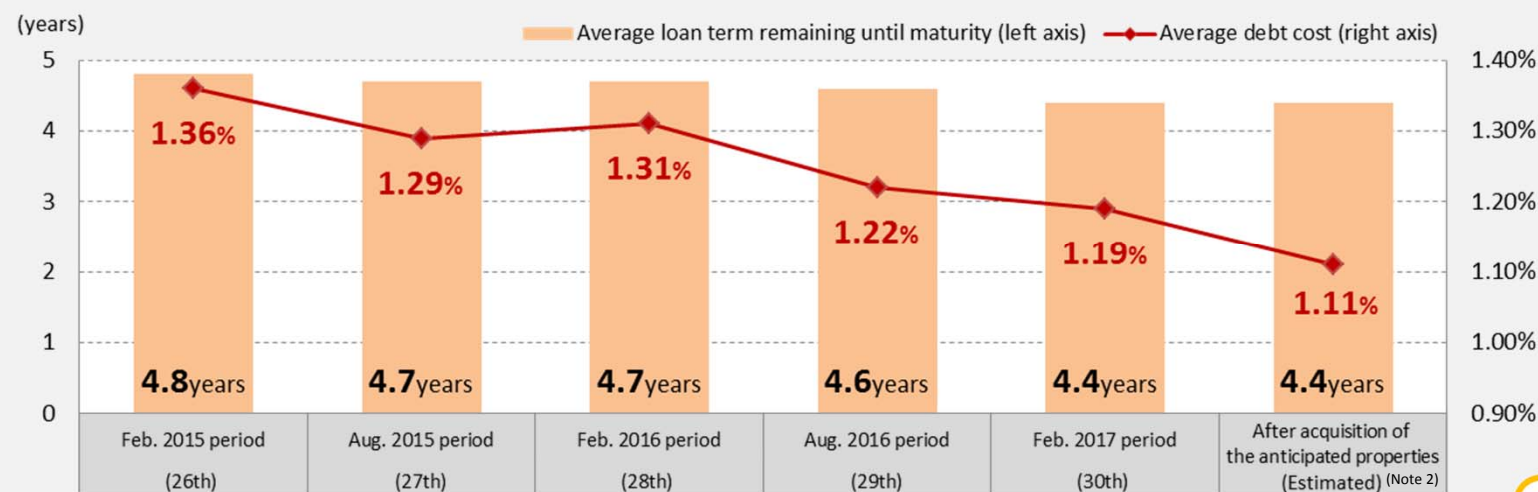
- 20.0 billion JPY of fixed-rate borrowings from 11 leading domestic financial institutions
- Average term of 8.4 years, which is longer than the average remaining period of our borrowings (Feb. 2017 period (30th): 4.4 years)
- Date of borrowing set in Mar. 2017 (completed), May 2017 and July-October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

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



	Feb. 2015 period (26th)	Aug. 2015 period (27th)	Feb. 2016 period (28th)	Aug. 2016 period (29th)	Feb. 2017 period (30th)	After acquisition of the anticipated properties (Estimated) (Note 2)
LTV ratio (excluding tenant leasehold and security deposits)	44.6%	45.1%	42.2%	44.3%	44.4%	44.2%
LTV ratio (Based on book value)	51.9%	52.2%	48.5%	50.3%	50.3%	50.0%
LTV ratio (Based on appraisal value)	51.1%	50.3%	44.8%	47.6%	47.0%	46.9%
Long term borrowing ratio	100.0%	99.3%	99.8%	99.2%	100.0%	100.0%
Fixed interest rate ratio	92.8%	95.5%	99.8%	96.3%	96.3%	96.5%

(Reference)

Acquisition capacity

From LTV 50.0%

LTV 55%: 100.0billion JPY

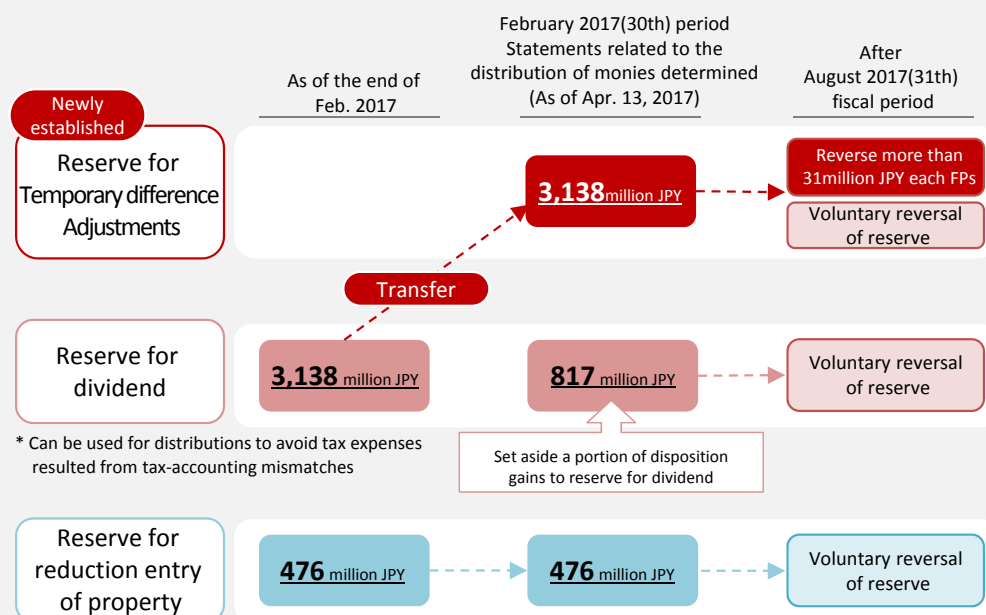
(Note 1) Calculation includes the tenant leasehold and security deposits.

(Note 2) Estimated figures for the end of the 31th 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

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^(Note 1)
- Reserve for dividend **817** million JPY^(Note 1)
- Reserve for reduction entry of property **476** million JPY^(Note 1)

Total reserve **4,432** million JPY^(Note 1)

Reserve per unit: **1,661** yen^(Note 2) (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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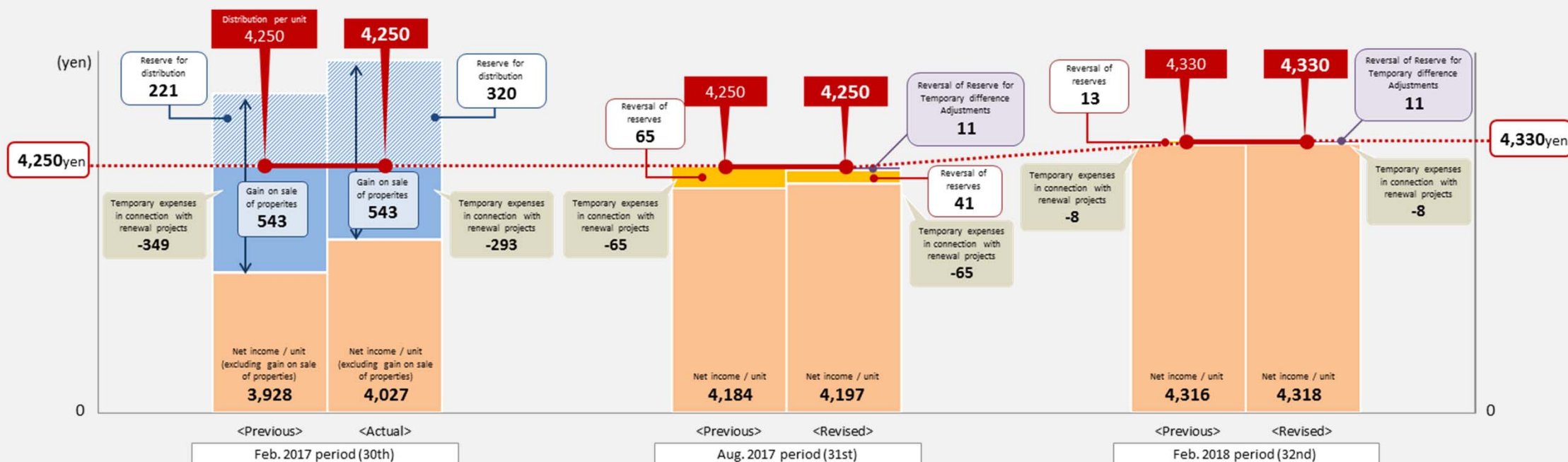
Newly acquired property

G-Bldg. Naha-shintoshin 01

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Summary of Results and Forecasts

■ Illustration of the actual and forecasts for distribution per unit



Estimated impact of downtime to DPU (Note)

-131yen

<Property>
G-Bldg. Jiyugaoka 01 (Bldg. B)
Nara Family
Bic Camera Tachikawa

-43yen

<Property>
Oyama Yuen Harvest Walk
Narupark
KAMISHIN PLAZA

-96yen

<Property>
Oyama Yuen Harvest Walk
Abiko Shopping Plaza
G-Bldg. Akihabara 01
mozo wonder city

Feb. 2017 period (30th)

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

Key points on actual distributions

- Changed accounting method for rental receivables in certain properties
- Decrease in repair expenses and losses from demolition

Aug. 2017 period (31st)

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

Key points on distributions forecast

- Changed accounting method for rental receivables in certain properties
- Reversal of reserve to cover temporary expenses from large-scale renewal projects (incl. JPY 31mn from Reserve for Temporary difference Adjustments)

Feb. 2018 period (32nd)

Revised forecast: **4,330yen**
compared to announced forecast: **No change**

Key points on distributions forecast

- Changed accounting method for rental receivables in certain properties
- Decrease in depreciation in Nara Family
- Reversal of JPY 31mn from Reserve for Temporary difference Adjustments

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

February 2017 (30th) Period P/L Performance

	Aug. 2016 Period (29th) (Actual)	Feb. 2017 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 (Note2)	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

February 2017 (30th) Period B/S Performance

	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

<Reference: Balance of reserve>

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 ^(Note1)	—	140	+140	31	(109)
Balance of reserve ^(Note2)	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 ^(Note3)	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

(Note1) 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, Oyama Yuen HW, Nara Family, KAMISHIN PLAZA, etc.	21 million JPY	Nara Family, G-Bldg. Akihabara 01, etc.
Demolition costs, compensation costs, etc.	121 million JPY		11 million JPY	
Loss on disposals of fixed assets	53 million JPY		9 million JPY	

(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	+247
✓ Decrease in interest payments	(53)
✓ Decrease in amortization of unit issuance costs	(21)
Ordinary income	+322
Net income	+322

JAPAN RETAIL FUND



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

On-book renovation of aged properties

G-Bldg. Jiyugaoka 01 (Bldg. B)

Our ESG (Environmental, Social, Governance) initiatives

ESG Initiatives driven by our asset management company

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

■ UNEP Finance Initiative(UNEP FI)



The first asset management company of J-REIT to sign

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

■ UN Global Compact(UN GC)



The first asset management company of J-REIT to sign

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



Human Rights



Labor



Environment



Anti-Corruption

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 ³)	(Note 2) CO2 emission (Thousand tCO2)
FY 2014	256,546	77,936	1,754	145
FY 2015	250,305	77,303	1,709	142

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	<ul style="list-style-type: none"> Bic Camera Tachikawa KAMISHIN PLAZA
Properties with high environmental & social awareness	<ul style="list-style-type: none"> SEIYU Hibarigaoka
Properties with satisfactory environmental & social awareness	<ul style="list-style-type: none"> 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; CO2 emission only includes Scope 1 and 2.



Japan Retail Fund Investment Corporation

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