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Think bold today for a brighter tomorrow.

**MC-UBS**  
C R O U P

## August 2017 ( **31st** ) Period Results

31<sup>st</sup> period: March 1, 2017 - August 31, 2017

Japan Retail Fund Investment Corporation

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

Welcome to this presentation of JRF's operating results for the 31st period, the six months from March 1, 2017 to August 31, 2017.

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Following the presentation materials, I direct your attention to the “Table of Contents” on page 1.

I will begin with an overview of activities undertaken by the Mitsubishi Corporation – UBS Realty Group, before moving on to our approach toward sustainability management, the status of JRF’s investment unit price, and new measures for unitholder returns. I will then provide details of our medium-term targets and future acquisition strategies.

Moving on, I will pass the microphone to Mr. Keita Araki, Head of the Asset Management Company’s Retail Division, who will comment on the implementation of JRF’s business strategy. Mr. Araki will then provide an overview of our financial strategy as well as JRF’s financial results for the 31st period, together with forecasts for the 32nd and 33rd periods.

Please note that we will occasionally comment on differences between the retail environments in Japan and the US for reference purposes throughout this presentation.

## 1. MC-UBS Group Activities and Sustainability



G-Bldg. Ginza Chuo-dori 01

Mitsubishi Corp.-UBS Realty Inc. (MC-UBS), the asset manager for Japan Retail Fund Investment Corporation (JRF), has established a new group logo and slogan, symbolizing its commitment to further enhancing the strength of the group.

### Group slogan and logos

#### Group slogan

**Think bold today for a brighter tomorrow.**

#### <Message implied in the group slogan>

The new slogan embodies the value we offer. "Think bold today for a brighter tomorrow with our uniqueness and fairness, with an eye to the future in Japan and the world" highlights that we offer an opportunity to experience the wealth of society in the future through real estate's solid value.

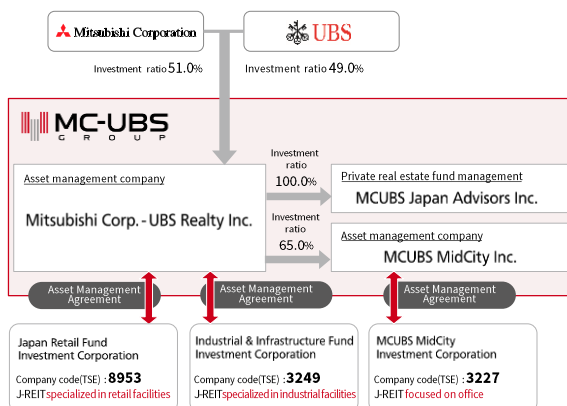
#### Group Logo



#### Investment corporation and asset manager's logo

**Japan Retail Fund Investment Corporation**  
**Mitsubishi Corp. - UBS Realty Inc.**

### Overview of the MC-UBS Group



Let us now begin with a look at the MC-UBS Group. Please turn to page 3 of the presentation materials.

In addition to actively engaging in Group branding, the MC-UBS Group has put in place a slogan and logo in an effort to reinforce its brand strengths.

Moving forward, all of the Group's investment corporations and asset management companies will utilize the logo and slogan on a uniform basis.

By raising our profile as a larger and more robust group, especially among individual investors, tenants, and facility users, we will endeavor to lift our social credibility while enhancing our communication capabilities.

## Continued activities to improve JRF's recognition

### IR Activities

For institutional investors

#### Participation in NAREIT's Investor Forum (JRF)

JRF presented the differences in retail environments between Japan and the US at NAREIT (National Association of Real Estate Investment Trusts)

- JRF made presentations to institutional investors on an individual basis, where approximately 130 REITs, mainly US-REITs, have participated



2016 NAREIT's Investor Forum

For individual investors

#### MC-UBS Group Joint IR seminar for three J-REITs (JRF / IIF / MidCity)

IR seminar held jointly by 3 REITs managed by the MC-UBS Group

- IR seminar held at group J-REIT property



Joint IR seminar held by 3 REITs

For individual investors

#### Internet IR seminar (JRF)

JRF held an online IR seminar via internet, aiming to expand the individual investor base at the ages of 30s and 50s

- Questions were taken via online chatting interface



Please turn to page 4.

In addition to engaging in IR activities directed toward institutional investors in Japan, the MC-UBS Group places considerable emphasis on communicating with overseas as well as individual investors.

For its part, JRF participates in the National Association of Real Estate Trusts Investor Forum in the US almost every year.

In our presentation at the Forum in 2017, we focused especially on distinguishing retail facilities in Japan from those in the United States in order to dispel any concerns regarding a downturn in performance.

Looking at shopping center trends in the United States, major distributors have experienced a succession of large-scale store closures and a growing incidence of so-called underperforming “dead malls.” This is largely due to the excessive opening of stores and the shift toward e-commerce transactions. In order to clear the air, we placed considerable emphasis on highlighting the substantial degree to which the sales areas per capita of retail facilities in the United States exceeds that of Japan as well as the vast differences in retail sector attributes including urban population density and modes of transportation. Looking at the nature of housing of in each country, we showcased the large-scale nature of dwellings and gardens in the United States and the custom of leaving packages in front of each home as opposed to the repeated delivery of items to individual residences in the case of Japan.

Every effort is also being made to increase the awareness of individual investors. The MC-UBS Group's three investment corporations, for example, held a joint seminar in Osaka, the principal operating area of MCUBS MidCity Investment Corporation. For its part, JRF conducted an online IR seminar targeting young investors.

Amid reports of the outflow of funds from monthly dividend type investment trusts, we intend to engage in a host of innovative activities that showcase the appeal of retail properties, an asset class with which individuals are readily familiar.

## We are continually working towards the realization of a sustainable society through our business activities

### Sustainability management structure and sustainability goal

Mitsubishi Corp.-UBS Realty Inc. has established "Environment Charter" and "Responsible Property Investment Policy," integrating Environment, Social, and Governance (ESG) factors into asset management process of each fund we manage.

#### Sustainability management structure

##### Establishment of a sustainability committee

- Established a sustainability committee in 2013 to further promote organization-wide efforts for responsible property investment (RPI)
- The Committee consists of the CEO as the chairperson, key members of the Industrial Division responsible for the operation of JRF, and key members from each department

#### Sustainability goal of the asset manager

- Enhance profitability of assets by installing environmentally friendly facilities such as solar panels
- Monitor information related to energy consumption
- Monitor the fund's ESG factors by participating in a third-party evaluation from organizations such as GRESB. The evaluation results will be used for further improvement.

### Efforts regarding sustainability

Based on the Responsible Property Investment Policy, MC-UBS agreed and became a signatory to the Principles for Responsible Investment (PRI), which was proposed by the United Nations and the Principles for Financial Action for the 21st Century, which is supported by the Ministry of Environment. In addition, MC-UBS is proactively committed to reduce CO2 emissions as a signatory to Montreal Carbon Pledge.

MC-UBS also devotes its efforts to disseminate and promote the Principles of the Responsible Property Investment as a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI) and by participating in the UNEP FI's Property Working Group.

Signatory of:



Turning now to the MC-UBS Group's basic approach toward sustainability, I ask that you turn to page 5.

Mitsubishi Corp.-UBS Realty has put in place its "Environmental Charter" and "Responsible Property Investment Policy." Steps were also taken to establish the Sustainability Committee in 2013. By engaging in deliberations across the Group as a whole, considerable energies are being directed toward integrating Environment, Social, and Governance factors into the asset management process of each investment fund.

We were the first J-REIT management company to sign onto the United Nations Environment Programme Finance Initiative and the UN Global Compact.

As a part of efforts to contribute to society, we also utilize the assets held to support the activities of the "Art Gate Program," aimed at fostering the development and careers of individuals aspiring to become professional artists, as well as the initiatives of the United Nations High Commissioner for Refugees in Japan.

## External recognition on JRF's efforts toward environmental measures and efficient uses of energy

### Inclusion in MSCI Japan ESG Select Leaders



2017 Constituent  
MSCI Japan ESG  
Select Leaders Index

- ESG index by MSCI  
The index only includes equities with high ESG performance based on certain market-capitalization, and other criteria
- Two funds managed by the MC-UBS Group:  
**Japan Retail Fund Investment Corporation** and **Industrial & Infrastructure Fund Investment Corporation** are among the 7 J-REITs included in the index
- The Government Pension Investment Fund for Japan (GPIF) announced in July 2017 that it would start passive investment that tracks ESG indices including this index

### Third-party evaluations

#### GRESB Real Estate Assessment

- Awarded the "Green Star" for 3 consecutive years
- Received 4 stars under the GRESB rating system (five-star scale, with 5 being the highest)



#### BELS

- JRF received BELS certification for G-Bldg. Jiyugaoka 01 (Bldg. B), first in the portfolio



#### DBJ Green Building Certification

- The number of certified buildings has increased to 17, with additional two properties (MARINE & WALK YOKOHAMA and m-city Toyonaka) in August 2017



Touching briefly on the fruits of these endeavors, please turn to page 6.

As a measure of the recognition the Group's ESG activities have received from external organizations, both JRF and Industrial & Infrastructure Fund Investment Corporation were recently included in the MSCI Japan ESG Select Leaders Index.

Of the 58 J-REITs in operation as of July 31, 2017, seven have been selected for inclusion in the Index. Two out of this seven are members of the MC-UBS Group.

This is especially significant following the decision by the Government Pension Investment Fund to utilize the MSCI Japan ESG Select Leaders Index as one of its ESG indices and commence passive investment tracking the Index. We expect that other pension funds subsequently will follow suit. Interest from institutional investors in Japan in the IR activities of IIF has been particularly high exceeding our expectations.

We are also steadily garnering external recognition from a tangible perspective. In addition to receiving the highest Global Real Estate Sustainability Benchmark "Green Star" ranking for a third consecutive year, we have acquired BELS, DBJ Green Building, and other certification.



## 2. Status of Investment Unit Price and New Measures for Unitholder Returns



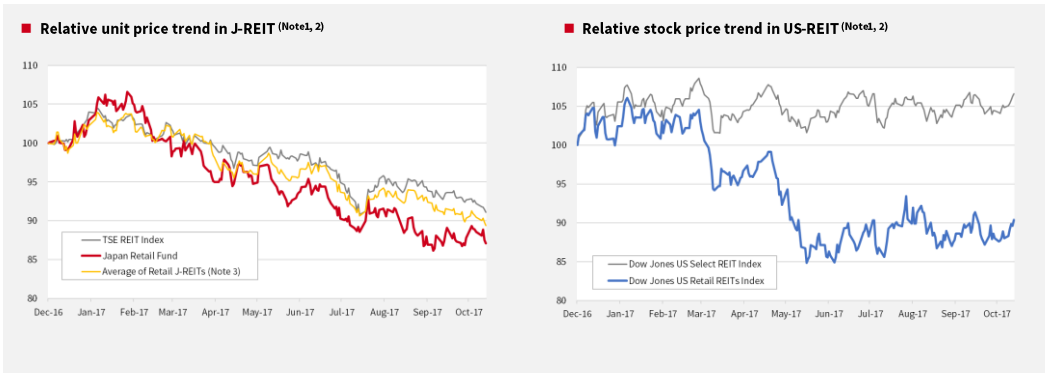
GYRE



## Recent investment unit price is relatively cheaper level

### Factors of relatively cheaper level of unit price

- Worsening investor sentiment regarding investment in commercial facilities in Japan mainly due to the rise of e-commerce and other factors **in association with concerns about commercial facility operations in the United States.**
- Worsening supply and demand due to capital outflow from investment trusts in Japan, which are the main J-REIT investment targets.



Moving on to investment unit price trends, please turn to page 8.

As you are all well aware, the prices of J-REIT investment units generally are weak, due mainly to outflows from investment trusts. With overseas investors comprising a relatively high ratio of around 40%, trends in JRF's investment unit price have been especially soft compared with the J-REIT average. This largely reflects misconceptions regarding retail facilities in Japan stemming from anxieties regarding conditions in the U.S.

As I mentioned earlier in this presentation, competition between retail facilities in the United States has become increasingly fierce owing mainly to the excessive opening of stores. This difficult environment has been exacerbated by the impact of online transactions resulting in the successive closure of outlets and a growing incidence of so-called "dead malls."

Turning to the reference data presented on page 38, there are around 47,000 shopping centers currently in the United States. This is roughly 15 times higher than the approximate 3,200 shopping centers in Japan. While the population and amount of retail sales in the United States outstrips those of Japan by around three and four times, respectively, the U.S. maintains a surplus of approximately 1.5 times in terms of retail sales area per capita.

Directing your attention to page 40, online transactions already comprise 5% of the retail market in Japan. This is comparable to the nearly 7% in the U.S. On this basis, one would expect that the impact of e-commerce on each market would be similar. As you can see from page 39, however, Japan's retail industry has been affected to a far greater degree than major retailers in the U.S.

Rather than attribute this to any time lag between Japan and the U.S., we believe any discrepancy reflects the unique features of each market.

In Japan, urban areas are recognized as destinations for both work and retail shopping. In the U.S., on the other hand, places of work and retail facilities are located in distinctly separate areas. It is only natural then that this would lead to disparities' in the consumption patterns of each country.

Last month, I met and exchanged opinions with representatives of Unibail-Rodamco, a leading retail conglomerate in Europe. The impact that e-commerce has had on the retail market in Europe differs again from that of the U.S. and Japan. On the Continent, it is commonplace to place orders with manufacturers online and to pick up items at actual stores. Providing consumers with a choice regarding points of product pickup is therefore an important consideration, with the degree of retail facility competitiveness a factor in capturing online sales. In Europe, the cost of multiple deliveries is for the individual's care. Unibail-Rodamco has put in place a "Click & Services" initiative within each of its facilities and established service counters that allow consumers to pick up items. Together with the use of Amazon lockers, every effort is being made to lift the appeal of retail outlets and to increase the frequency of visits. In this manner, Unibail-Rodamco is working diligently to maximize synergies with online activities.

Taking into consideration these differences in consumer habits and mindsets, Europe and Japan need not necessarily follow the path taken in the U.S.

JRF, in particular, has adopted a portfolio approach that includes both large-scale urban and suburban properties. On this basis, we believe that the nature of our assets will allow us to remain competitive despite the growing trend toward an e-commerce era.

## Repurchase of own investment units by using ample free cash

### Details of implementation (Scheduled)

Total number of investment units to be repurchased	60,000 units (maximum) (2.25% of the total number of issued investment units (excluding the number of own investment units))
Total amount of investment units to be repurchased	10,000,000,000 yen (maximum)
Repurchase period	From October 17, 2017 to January 31, 2018

- ✓ JRF will terminate the transaction regarding the repurchase of own investment units when either the total number of repurchased own investment units or the total repurchase amount reaches the maximum amount, or when the repurchase period ends.
- ✓ After the completion of the repurchasing of own investment units, JRF plans to cancel all repurchased own units in this fiscal period (Feb. 2018 period (32<sup>nd</sup>)).

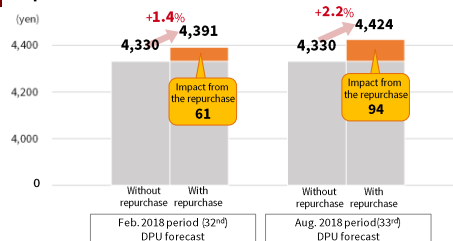
(Note) Due to market trends etc., it is possible that the total number of repurchase and total repurchase amount will not reach the maximum level, or there will be no repurchase at all.

### Background for the repurchase of own investment units

#### Optimum measure for unitholder returns under the current environment

- ✓ Recent decrease in opportunities for acquiring properties that combine quality and profitability
- ✓ Use of ample free cash
- ✓ Useful unitholder returns at relatively cheaper investment unit price levels

### Impact on DPU amount (Note 1, 2)



(Note1) The expected numbers are calculated based on the certain conditions at the date hereof and the actual DPU amount may differ in accordance with changes in the situation. Also, there are no guarantees provided with respect to the amount of DPU.  
(Note2) "Expected DPU amount for the 32<sup>nd</sup> fiscal period (taking into consideration the repurchase)" is calculated based on the case where JRF repurchases its own investment units at 200,300 which is the closing price of JRF's investment units as of October 13, 2017, until the total repurchase amount mentioned above reaches the maximum amount (in this case, the total number of repurchased own investment units is 49,925 units). Please note that the impact on expected DPU varies according to the actual number of repurchased own investment units and actual repurchase price.

Changing tack, I would like to elaborate on new measures for unitholder returns. Please turn to page 9.

Roughly 50% of JRF's portfolio is comprised of highly liquid, blue-chip urban retail centers. In recognition of its various proactive large-scale renovation and other endeavors, overseas investors also make up around 40% of the Investment Corporation's investor base. This is a defining feature that separates JRF from other REITs that specifically target retail properties.

Despite a portfolio that comprises substantial blue-chip urban properties, we believe that the market has failed to properly assess the price of JRF's investment units, which remain undervalued. This largely reflects the high proportion of overseas investors and the Investment Corporation's susceptibility to weak retail market conditions in the U.S.

JRF's investment unit price has declined approximately 20% compared with the year-to-date high. Falling around 5% below the J-REIT average, the average investment unit price over the past month comes in at 202,300 yen.

Looking beyond trends in JRF's investment unit price, and to the retail property acquisition market, there are only a handful of facilities currently for sale. As a result, acquisition prices are exhibiting a sharp rise with limited opportunity to purchase facilities that offer both quality and sound earnings.

Taking into consideration the Investment Corporation's ample free cash as well as its capacity even after the acquisition of assets, JRF has decided to repurchase and cancel a portion of its own investment units during the current period ending February 2018. This initiative reflects our desire to utilize capital in the most effective manner possible, and to convey to the market our view that JRF's investment units remain undervalued at this time.

Plans are in place to repurchase and cancel investment units to a maximum of 10 billion yen up to the end of January next year. This equates to 2.25% of the total number of investment units issued and outstanding.

In the event that we carry out the aforementioned plans in full, JRF's distribution per unit, or DPU, will increase by a maximum of 94 yen, or around 2%, on an annualized basis.

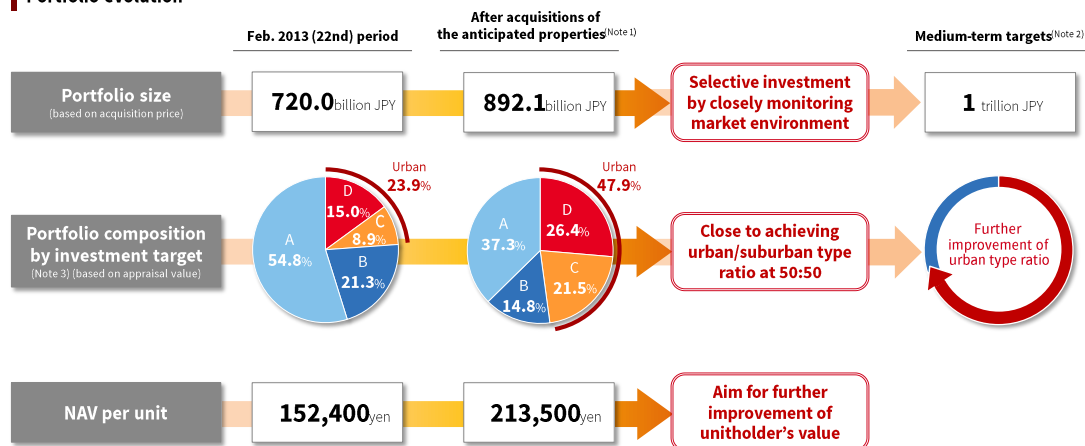
### 3. Medium-term Targets and Future Acquisition Strategies



G-Bldg. Shinsaibashi 03

## 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 October 16, 2017.

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

(Note 3) Our investment target are classified into following 4 categories.

(Note 3) A: Large-scale retail properties, the largest class in the relevant area, B: Retail properties in densely-populated areas, C: Retail properties in favorable locations adjacent to major stations and D: Retail properties in prime urban shopping districts.

Directing your attention to page 11, I would like to touch on JRF's medium-term targets.

Looking first at the size of the portfolio, our efforts are tempered by the difficult conditions mentioned a moment ago. Against the backdrop of a harsh operating environment, we will refrain from unnecessarily building up the scale of our investment assets.

We will continue to closely monitor market conditions and adopt a stringent approach toward investment. Our goal is to grow the portfolio to around 1 trillion yen at a somewhat slow and measured pace.

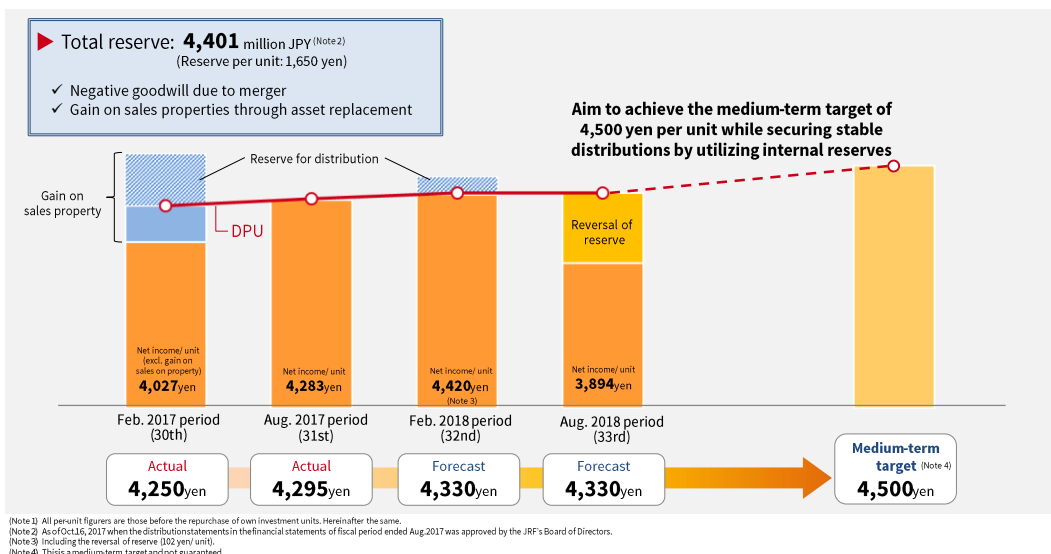
As far as the composition of the portfolio is concerned, we will be guided by consumer trends in Japan. Having said this, however, we will continue to focus mainly on urban-type facilities. Accordingly, and having essentially achieved the 50:50 split target that we have held for some time, we will place additional emphasis on acquiring mainly urban-type properties.

Referring once again to the repurchase and cancellation of our own investment units, we anticipate NAV per unit will climb 200 yen should we carry out our plans in full.

## Medium-term Target for DPU

### Achieved 4,300 yen, on the way to medium-term target of 4,500 yen

#### Medium-term target for DPU



Please turn to page 12.

Despite a measure of EPS volatility, we continue to target a DPU of 4,500 yen over the medium term. We remain committed to promoting DPU growth while adopting stability measures that utilize reserves.

Looking first at the period ended August 2017, DPU climbed 45 yen, or more than 1%, compared with the previously announced forecast of 4,250 yen, to 4,295 yen. While JRF incurred temporary expenses as a result of large-scale renovations, this upswing in DPU was achieved through EPS growth without the need to utilize reserves.

This largely reflects the increase in other revenues including card commission fees and parking revenue as well as successful efforts to reduce repair expenses together with PM and BM fees.

Turning to the period ending February 2018, while Mr. Araki will elaborate in more detail, I would like to take this opportunity to express my regret that revenues at Nara Family have not progressed as initially planned.

The downturn in sales-based rents at Nara Family in the current period is having a considerable negative impact on forecasts for the Fund as a whole. Thanks largely to rent revenues from newly acquired assets, the increase in rents at existing properties, and penalty payments following the decision by a tenant to vacate MARINE & WALK YOKOHAMA, we can confirm that our previously forecast DPU of 4,330 yen for the period ending February 2018 remains unchanged. In addition to foregoing the need to utilize reserves, we expect to set aside a portion of the residual penalty payment.

We have focused on attracting tenants that exhibit high market appeal in order to distinguish Nara Family from competing stores. Signs of a change in the composition of customers are also beginning to emerge in an effort to target the youth market. Despite these endeavors, we are aware of delays in raising awareness toward Nara Family in a highly sensitive market. Coupled with a shortfall in upper floor sales and the substantial drop in revenue attributable to the time lag in leasing certain sections of the property, we are currently conducting a review of sales and promotional plans while strengthening other measures.

Moving further ahead to the period ending August 2018, we have excluded any recovery at Nara Family when preparing forecasts, and anticipate flat sales trends.

MARUI CO., LTD. will vacate space in April 2018. In addition to the downtime in rent at KAWASAKI Le FRONT, where MARUI is the principal tenant, JRF's performance will be affected by repair expenses commensurate with the renovation of properties as well as the downturn in MARINE & WALK YOKOHAMA rent.

In the period ending August 2018, temporary expenses associated with the large-scale renovation of KAWASAKI Le FRONT and other activities are expected to push down DPU by 274 yen. While acknowledging that DPU will come in at 4,168 yen if we follow the same initiatives undertaken in the past and appropriate a portion of reserves solely to offset temporary expenses, we recognize the need to accommodate other measures. Taking into consideration that reserves will reach 4.6 billion yen, with a positive impact of up to 1,740 yen on DPU, after incorporating residual penalty payments, efforts to stabilize distribution growth and achieve the medium-term DPU target of 4,500 yen following completion of renovation work at KAWASAKI Le FRONT, and the further reversal of reserves, our DPU forecast for the period ending August 2018 remains unchanged at 4,330 yen, the same level as the period ending February 2018.

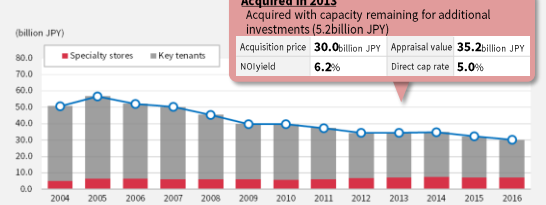
## Positioning in Kawasaki Area with its strongly competitive location

### Large-scale renovation project post core tenant move-out

- Marui, one of the core tenants, is scheduled to vacate in April 2018 due to the decline in sales
- A large-scale renovation plan to be carried out for the spaces originally occupied by Marui and other specialty stores
- Planned to replace a few tenants and renew facilities from the MD structure review

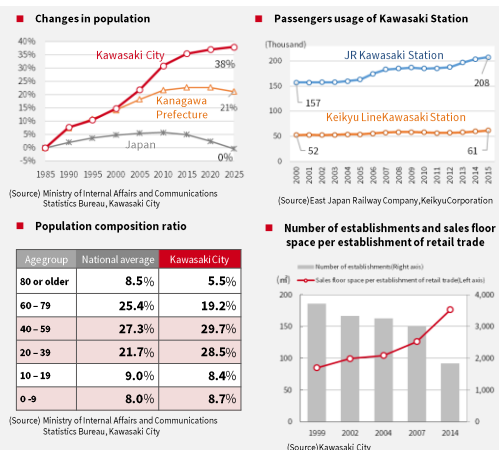


### Historical sales trend



### Potential in the Kawasaki area

- It is benefited from the fertile market, in which 43,000 households reside within a 5-km radius as of 2015
- Both the population in Kawasaki City and the number of passengers using Kawasaki Station are increasing



(Note) Graphs on this page are based on each source and are created by the Asset Management Company

Please turn to pages 13 and 14.

Here on page 13, we provide details of renovation work at KAWASAKI Le FRONT.

A snapshot of the property at the time of its acquisition in 2013 is presented in the text box at the bottom left of the page.

At that time, and prior to the substantial rise in real estate prices, the appraisal value of the property came in at 35.2 billion yen with a direct cap rate of 5%. Against an acquisition price of 30 billion yen, KAWASAKI Le FRONT was purchased at an NOI yield of 6.2%.

Despite the fairly stable nature of specialty store sales, the weak performance by MARUI, which plans to vacate the property in April, drove down revenue for the facility as a whole to 30.2 billion yen in 2016.

Aware that MARUI would vacate the property at the time of its purchase, plans are in place to undertake timely renovations on a large scale.

As you can see from the right side of the page, Kawasaki is a fertile area with 430,000 households located within a five-kilometer radius. Together with an increase in population through to 2025, the number of railway passengers is projected to climb reaching roughly 200,000 per day.

As you are all well aware, Lazona Kawasaki, which is located on the west side of the station services a wide area, mainly across Kawasaki, with the ability to attract large numbers of customers. Situated on the east side of the station, our goal is to position KAWASAKI Le FRONT as a local facility that attends to the food, living environment, and entertainment needs of residents.



Status of Major Properties (KAWASAKI Le FRONT (2))

Renewal plan

From apparel and service stores to food/ living/ entertainment contents

- The ability to draw visitors to be strengthened by expanding the “Recreational” facilities across areas around the East exit of Kawasaki Station
- Focus on “Food” contents intended to attract more daily shoppers, taking advantage of its location adjacent to a bus terminal
- A symbolic and expansive space to be created with an open ceiling
- A large-size commercial facility to attract large-scale tenants
- Open area to be rejuvenated, which is located between this property and the adjacent office building (Cube Kawasaki, owned by MCUBS MidCity Investment Corporation)

<Image of renewal (Note)>



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

<Current MD>			<After renewal (plan)>		
RF	Sports Facilities		RF	Sports Facilities	
10F	<Specialty stores> Restaurant		10F	Large-size entertainment contents	Tutoring School
9F	Service		9F	Restaurant	
8F	Sports, Service		8F	Large-size sports store, Outdoor stores	
7F	Sports, Hobbies		7F	Sports, Hobbies, Large-size kids store	
6F	Variety goods		6F	Kids and Babies	
5F	Household goods, Fashion		5F	Fashion	
4F	Tutoring School	Marui	4F	Interior shops	
3F	Service		3F	Variety goods	
2F	Yodobashi Convenience store		2F	Food hall, Convenience store	
1F	Camera	Food court	1F	Camera	Food stores
B1			B1		
B2	Parking lot		B2	Parking lot	

A	Entertainment	Attract major entertainment content providers
	Food	➡ To provide visitors extraordinary experiences
B	Entertainment	Attract large-scale tenants that are commensurate with the scale of this property offers
	Living	➡ To attract more family visitors to a floor dedicated to products and services for children
C	Living	Collaboration with Yodobashi Camera
		➡ To bring in Yodobashi Camera customers
D	Food	Enhance the line-up of food stores and restaurants
		➡ Improve the concourse atmosphere and environment
		➡ To increase visitor frequency

Here on page 14, we provide a brief overview of plans to renovate KAWASAKI Le FRONT.

While currently finetuning proposal details, we are looking to review the overall concept of the property as a whole.

Rather than adopt the temporary measure of leasing space vacated by MARUI to replacement tenants, we are reassessing every facet of the facility’s operations including store composition and flow line plans.

Moreover, we hope to transform the property into one with a dominant presence in the growing Kawasaki market by undertaking uniform activities with Cube Kawasaki, held by MCUBS MidCity Investment Corporation.



## Review MD structure by inviting Ron Herman as a major tenant

### Replacement of certain key tenants

- Fred Segal, one of the core tenants, decided to vacate due to the change of its operation company
- As the result of discussion, the tenant vacated at the end of August 2017 by paying penalty
- Part of the spaces occupied by Fred Segal have been allocated to new tenants and leasing contract executed, such as Ron Herman and Nakame Takkyu Lounge

### Future operation policy

Mainly targeting fashion-conscious customers base, while expanding to tourists sympathetic to the concept and vision of this facility

#### Challenges and measures for improvement

##### < Challenges >

###### Low recognition

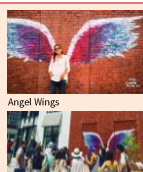
This facility opened later in the area is not recognized although it is located in an area drawing many visitors

###### Gap in sales among tenants

Tenants that miss-match the characteristics of the bayside area have weaker sales

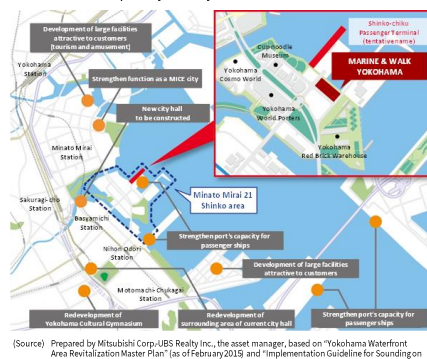
##### < Measures for Improvement >

- ▶ To replace ailing tenants with more widely-recognized capable ones that match the bayside location
- ▶ Expand the customer base to tourists, in anticipation of the development of Shinko Area Passenger Terminal (tentative name)<sup>(Note)</sup>
- ▶ Introduce SNS-conscious contents to gain recognition, by participating in the art project "Global Angel Wings Project" to create a photo spot
- ▶ To attract more visitors in collaboration with neighborhood facilities



(Note) The new passenger terminal is scheduled to open in spring 2019 and the construction plan includes CIQ (customs, immigration and quarantine) facilities to accept cruise ships, retail facilities focusing on a variety of foods, and a high-grade hotel accommodating cruise passengers near the pier.

#### <Mid-term 4-Year plan by the City of Yokohama>



(Source) Prepared by Mitsubishi Corp./UBS Realty Inc., the asset manager, based on "Yokohama Waterfront Area Revitalization Master Plan" (as of February 2015) and "Implementation Guideline for Soundings on Shinko Area Passenger Terminal Construction", both prepared by Yokohama City

Turning to MARINE & WALK YOKOHAMA, I ask that you turn to pages 15 and 16.

As widely reported, Fred Segal, a core tenant at MARINE & WALK YOKOHAMA, vacated space at the end of August.

The area vacated was subject to a five-year fixed-term lease agreement that included a specific penalty clause, and supported by guarantees from group companies. Following discussions with the tenant, the appropriate penalties were paid, limiting the amount of economic liability to be incurred until an alternative revenue stream is found.

Cognizant of the impact that this decision by a core tenant to vacate the property could have on other tenants, we recognize the need to take swift and appropriate action. Placing a priority on expanding the facility's customer base beyond the fashion-conscious consumer to include tourists visiting MARINE & WALK YOKOHAMA, and in addition to attracting the popular brand, Ron Herman, as a core tenant, we have concluded an agreement with Nakame Takkyu Lounge, in order to incorporate a "ping pong at the harbor-view bar" concept into the facility, and to supplement customers' purchasing activities with a fresh shopping experience.

Consistent with the change in business formats by certain existing tenants, plans are in place to establish a new eatery to further showcase the appeal of MARINE & WALK YOKOHAMA. In specific terms, steps are being taken to open PEANUTS DINER, an American West Coast café themed around the world-renowned "Snoopy" animation character.

As conditions currently stand, MARINE & WALK YOKOHAMA is yet to establish a profile. At roughly two million, the number of annual visitors to the facility and the Red Brick Warehouse is extremely low. Moreover, tenants that do not adequately match the attributes of the bayside area are experiencing weak sales. In order to address each challenge, we will replace ailing tenants with more widely-recognized ones that better match the bayside location. We will also enhance the ability to attract customers while taking full advantage of the benefits to flow from development of the Shinko Area Passenger Terminal.

Attract appealing tenants that match the concept of the facility



**Ron Herman**

A lifestyle-themed retailer, opened the 1st store at Melrose Avenue, Hollywood in 1976, offers California-style fashionable goods. It operates 13 stores in Japan.



**PEANUTS DINER**

Operates "PEANUTS Café" at Nakameguro, Tokyo, which features an eatery on the American West Coast themed around PEANUTS. The restaurant to be opened at MARINE & WALK will give a "seaside diner" ambience in the US West Coast, and visitors can enjoy dining with gorgeous ocean views in an open and airy space



**Nakame Takkyu Lounge**

Recreational bars provide ping-pong tables. Plans to open a new store in MARINE & WALK with 14 ping-pong tables, a bar and a home theater equipment, under the concept of "Playing ping-pong at the harbor-view bar"



## Aim to acquire high-quality assets with high yields

### Planned acquisition of two urban prime properties



G-Bldg. Jingumae 07



Round1 Sannomiya Station

Property name	G-Bldg. Jingumae 07	Round1 Sannomiya Station
Anticipated acquisition date	Nov. 22, 2017	Nov. 30, 2017
Anticipated acquisition price	1,950million JPY	3,200million JPY
Appraisal value	2,080million JPY	3,300million JPY
NOI yield	3.3%	4.1%
NOI yield (after depreciation)	3.2%	3.7%

### Target yield in acquisitions

Acquisition of quality assets leveraging 2 sources of financing

#### Financing sources

##### 1 Acquisitions together with Equity offerings

###### ▶ Target yield

Average NOI yield  
after depreciation  
of our portfolio  
(Aug. 2017 period (31st))

**3.8%**

##### 2 Acquisitions as a part of Asset replacement

###### ▶ Target yield

Average NOI yield  
after depreciation  
of properties disposed

**2.9%**

Commenting now on JRF's external growth strategy, please turn to page 17.

Amid limited opportunities to purchase retail properties that offer both favorable yields and quality, JRF has contracted to acquire G-Bldg. Jingumae 07 and Round1 Sannomiya Station in November 2017.

Located on Cat Street, G-Bldg. Jingumae 07 is leased to a reuse shop chain.

Appraised at a value of 2 billion and 80 million yen, the property was acquired at 1 billion 950 million yen. Leased to the tenant under a long-term agreement, G-Bldg. Jingumae 07 offers an NOI yield before and after depreciation of 3.3% and 3.2%, respectively.

Round1 Sannomiya Station faces National Highway Route 2 in close proximity to Sannomiya Station. The property is leased to the Round1 entertainment chain.

Appraised at 3.3 billion yen, Round1 Sannomiya Station was acquired at a cost of 3.2 billion yen, and is leased to the tenant under stable terms and conditions. With an NOI yield of 4.1%, the NOI yield after depreciation comes in at 3.7%.

As a part of its asset acquisition strategy, JRF, in principle, undertakes an equity offering for properties where the average NOI yield after depreciation of the portfolio is projected at 3.8% or more. For properties where the average NOI yield after depreciation of the portfolio is expected to come in at 2.9% or more, the tendency is to employ replacement finance.

With the exception of those extraordinary circumstances when conditions are conducive to an accretive public offering even in the case where property yields are extremely high, and the price of investment units falls below NAV, such as the immediate aftermath of a financial crisis, I would like to make it abundantly clear that we would not entertain conducting a public offering that would dilute NAV.

With this, I conclude my portion of this presentation, and would like to hand the microphone to Mr. Araki.

#### 4. Implementation of Business Strategy and Financial Strategy



CUTE CUBE Harajuku

Thank you, Mr. Tsuji.

In my capacity as Head of the Asset Management Company's Retail Division, I would like to comment on the implementation of JRF's business and financial strategies before elaborating on the Investment Corporation's financial results and forecasts.

## Business strategy for improvement of unitholders value

### JRF's business strategy

Acquisition strategy	Asset management strategy	Financial strategy
<b>Asset size expansion</b> for the purpose of further enhancing regional and tenant diversification	<b>Improvement in profitability</b> Through strengthening of property competitiveness	<b>Equity management</b> according to acquisition environment and investment unit price
<b>Asset replacement</b> for the purpose of improving portfolio quality	<b>Improvement in stability</b> by reducing potential risks through contract stabilization etc.	<b>Continued financing stability</b> By diversifying maturity periods, lengthening borrowing periods, improving fixed interest rate ratio, and securing emergency funding sources
<b>Securing future internal growth opportunities</b> through acquisition of properties with high potential in good location utilizing our SC management capabilities		<b>Diversification of funding sources</b> through introduction of new lenders and issuance of corporate bonds

Please turn to page 19.

Drawing on its three business strategies that provide the source of the Fund's growth, JRF selects and prioritizes the optimal strategy depending on the market environment and the status of its operations.

As far as external growth is concerned, we will not look to rashly expand the portfolio. We will continue to adopt a stringent approach toward screening investments while closely monitoring trends across the market.

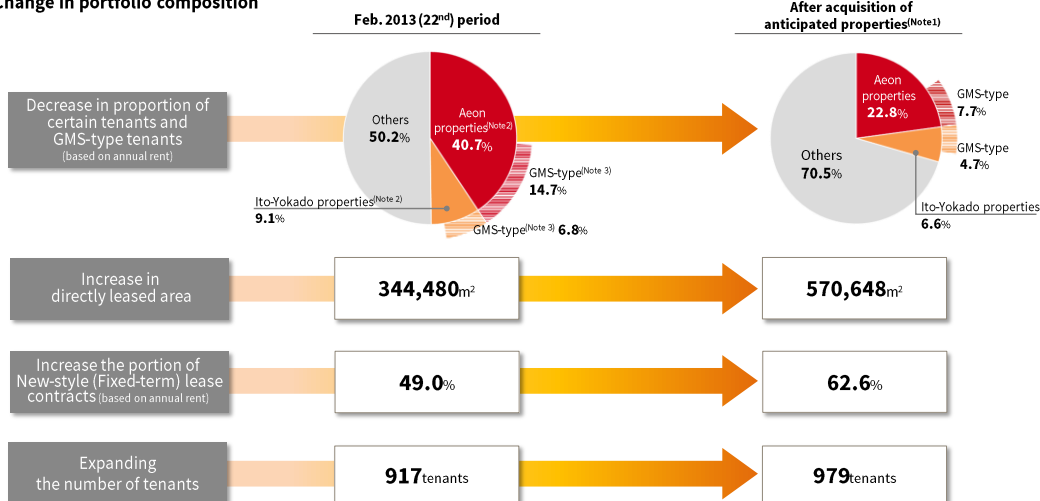
From an internal growth perspective, we will continue to draw on the strengths of our facility management capabilities and actively pursue the replacement of tenants, renovation of properties, and cost reduction.

Turning to the Investment Corporation's financial strategy, and as we have already explained, we will incorporate the new equity management strategy of repurchasing our own investment units during the February 2017 period.

Drawing on its inherent strengths and the ability to implement the appropriate strategy at the appropriate time in line with market conditions and the status of its operations, JRF will select the right measure that best ensures an increase in unitholder value.

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

## Change in portfolio composition



(Note 1) Amounts of shares for "After acquisition of anticipated properties" are calculated based on the our portfolio after the anticipated acquisitions announced on October 16, 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.

(Note 3) "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, is the entire portfolio.

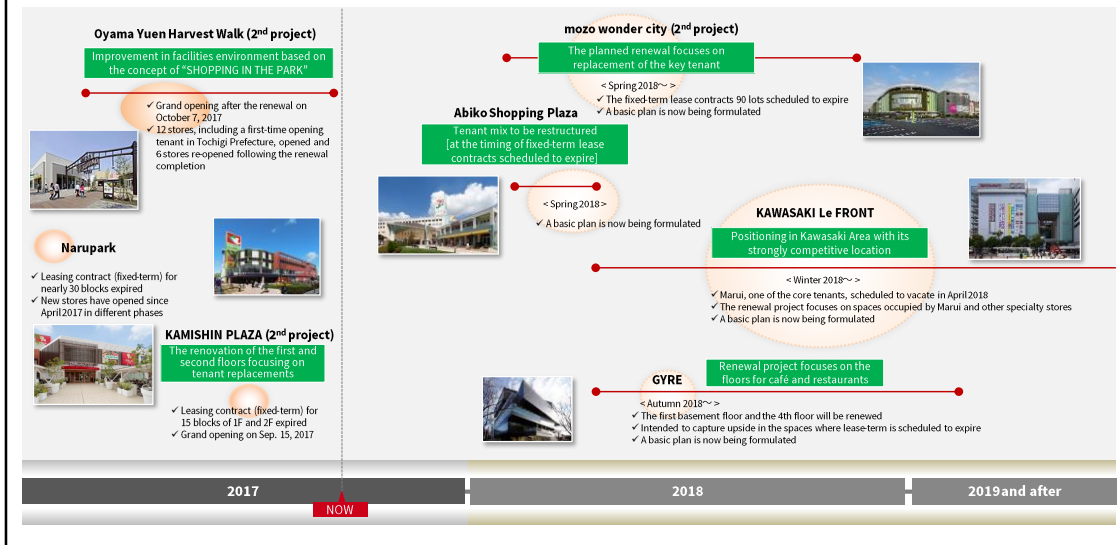
Moving on to the changes in the composition of JRF's portfolio, I direct your attention to page 20.

The ratio of AEON Group and Ito-Yokado master lease properties has fallen from around 50% to 29% over the past 4 years. More recently, the ratio has declined 2% from 31% as of the end of the February 2017 period. Looking ahead, JRF's new acquisition activities will focus mainly on urban-type properties. As we work to acquire new assets, we can expect the ratio of AEON Group and Ito-Yokado master lease properties including the portion made up of GMS-type facilities to contract even further. This in turn will minimize the overall impact on the portfolio in relative terms.

In addition, the volume of floor space under direct lease agreements has increased to 570,000 square meters. Coupled with an upswing in the percentage of new-style fixed-term lease contracts to 62.6% and a tenant network that has expanded to 979, we are well placed to boost earnings on the back of our SC management capabilities.

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

### Internal growth strategy \*Future plans may change without notice.



Shifting to the renovation of properties and JRF's internal growth strategy, please turn to page 21.









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.

As of the date of this presentation, work at Naru Park, as well as the second phase projects at KAMISHIN PLAZA and Oyama Yuen Harvest Walk have been completed in line with plans. In addition to Abiko Shopping Plaza, the second phase project at mozo wonder city, and GYRE, an urban-type flagship store, work began from the February 2017 period and is underway at KAWASAKI le FRONT. In this manner, JRF is making every effort to further enhance the competitiveness of its properties.



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

### Recent renewal actions

Categories	Property name			Completion date	Renewal type (Note 1)	Effect	
						Expenditure	ROI (Note 2)
	Oyama Yuen Harvest Walk	1 <sup>st</sup> project	Apr. 2014	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	Offensive	1.31 billion JPY	11.5%
		2 <sup>nd</sup> project	NEW Oct. 2017	Upgrade/improvement works scheduled to provide spaces for marketing activities and facilitate tenants' communication with customers	Stay	530 million JPY	—
	mozo wonder city	1 <sup>st</sup> project	Sep. 2015	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	Offensive	2.13 billion JPY	9.8%
	KAMISHIN PLAZA	1 <sup>st</sup> project	Jun. 2016	Renovated the floors, following the replacement of key tenants, to attract more customers	Offensive	290 million JPY	15.5%
		2 <sup>nd</sup> project	NEW Sep. 2017	Replace 1st and 2nd floor tenants to increase customer flow following the first-phase renewal	Offensive	80 million JPY	Estimate (Note 3) 13.4%
	Ito-Yokado Yotsukaido		Jul. 2016	Constructed an additional building on the same premises to attract new tenants	Offensive	150 million JPY	10.4%
	G-Bldg. Jiyugaoka 01 (Bldg. B)		Nov. 2016	Reconstructed the obsolete building under an on-the-book project	Offensive	570 million JPY	6.5%
	Bic Camera Tachikawa		Dec. 2016	Renovated the building to enhance its seismic resistance and signed long-term stable lease contracts with existing tenants	Offensive	2.90 billion JPY	15.3%
	Nara Family		Spring 2017	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	Stay	5.10 billion JPY	—
	Narupark		NEW Apr. 2017	Attract more customers by tenant replacement in approx. 20 sections and encouraging frequent shoppers to visit on a daily basis	Stay	90 million JPY	—

(Note 1) There are three types of renewal type: Offensive, Stay and Defensive.

(Note 2) ROI = (NOI increase) / Expenditures \* NOI increase = (NOI after renewal project or estimated NOI) - (NOI before renewal project)

(Note 3) Shows estimated return on investment as of today as the property is not in full operation.

Here on page 22, we provide an overview of renovation work undertaken since the July 2016 period, and the effect of individual investments on specific properties. We have also introduced a new column to better clarify our stance toward the type of renewal activity, and now take this opportunity to expand a little further.

I would first like to once again explain our stance toward renewal investment. For retail facilities that mainly accommodate multiple tenants, we recognize the need to devise strategies and set a course of action that reflects changes in consumer tastes and the competitive environment. We are also aware of the need to undertake the investment required on a periodic basis to not only ensure the opening of stores by new tenants, but also to attract customers. Through these means, we would hope to prevent any sense of boredom, and to maintain the fresh appeal of each property. At times, this may involve a major investment to transform the specific features of a property. In this instance, our focus is not only on maintaining fresh appeal, but to revitalize the facility's competitiveness. We refer to each of these outlays as renewal investments.

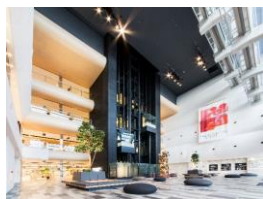
We have classified the types of renewal investment into three broad categories depending on the level of subsequent profitability. Investments that are made with the aim of increasing profitability are classified as "offensive." "Stay" investments are those geared toward maintaining fresh appeal, through such means as the updating of a facility's environment and MD structure. "Defensive" investments include those intended to minimize, wherever possible, any decline in profitability attributable to a variety of factors including changes in the competitive and surrounding environments. The goal here is to stabilize earnings.

In addition to vigorously undertaking offensive investments, JRF will also adopt a stay or defensive approach, as and when required, to ensure stable medium- and long-term earnings while working toward its target portfolio.

Despite completing renewal work in line with overall plans and witnessing steady operations at each of the facilities listed on page 22, results at Nara Family, which reopened in November last year, are currently lagging below announced plans. I will therefore comment on this property in more detail.

## Aim to expand customer bases and improve sales of tenants in the renovated blocks promptly

### Comparison of performance before and after the renewal project



Although it is expected that substantial growth in sales will be achieved increase with the increasing number of visitors brought about by the renewal plan intended for a transformation into a high-quality retail facility, both sales and NOI are far below the targeted levels as the number of visitors has increased only slightly

	Before (FY2015A)	After (Initial estimate)	After (Actual results)	Actual vs Initial estimate
Annual visitors	9.78 million	12.00 million	(Note 1) 10.02 million	-16.5%
Annual sales	39.0 billion JPY	48.3 billion JPY	(Note 1) 39.5 billion JPY	-18.2%
Annual NOI	2,272 million JPY	2,563 million JPY	(Note 2) 2,030 million JPY	-20.8%
NOI yield <sup>Note 3</sup>	6.5%	7.3%	5.8%	-0.7pt

(Note1) Actual results from November 2016 to August 2017 were annualized

(Note2) Figures of "After (Actual results)" are represented by annualized actual results for the 31st period ended in August 2017

(Note3) Based on acquisition prices (34,875 million JPY)

### Future policy of operation

Incentives to visit  
the facility

Customer retention

Aim to improve sales by  
attracting more visitors

Specific measures to **encourage existing customers to use the facility more and expand targeted customer bases**

- Enhance preferential services to card members
- Implement promotional campaigns for kids and family customers
- Hold events and carry out promotional campaigns on a facility-wide basis
- Review the operating structure according to the facility's strategy

### Initiatives in progress

1. Carry out leasing regarding the renovated blocks (five blocks of approximately 100 tsubo)
2. Improve floor planning by drastically reviewing traffic lines and signs inside the facility
3. Draw out plans for promotional campaigns that hit the sweet spot of targeted customers (review of the promoter)
4. Increase repeat customers by attract more customers into card membership



■ Average customer spend by age groups

	Increase rate <sup>Note</sup>
39 or younger	+32.9%
40 – 49	+5.5%
50 or older	△18.6%
Overall	+0.3%

(Note) Based on the average sales before renewal (March to August, 2015) and after renewal (March to August, 2017)

Please turn to page 23.

Representing the management company of the Fund, I would first like to express my sincere apologies for the performance at Nara Family since its renewal opening, which is well below initially announced plans.

In addition to fully renovating Nara Family's environmental design to address the decline in sales, the goal was to transform the features of the facility by replacing the large number of specialty shops with new stores including popular tenants. By distinguishing the property from suburban-type malls in the surrounding area, we hoped to reenergize and increase the facility's competitiveness.

The table at the center of the page provides details of results before and after renewal.

We initially estimated an increase in annual visitors to 12 million following work completion and renewal opening, with annual sales, NOI, and NOI yield coming in at 48 billion 300 million yen, 2 billion 563 million yen, and 7.3%, respectively.

Actual results, on the other hand, have fallen substantially below these estimates. Despite an increase of 2.5% compared with fiscal 2015, the annual number of visitors has declined 16.5% compared with the initial estimate. Again, despite a 1.3% upswing compared with fiscal 2015, annual sales have fallen 18.2% compared with earlier projections. Annual NOI has contracted 10.6% and 20.8%, compared with fiscal 2015 and initial estimates, respectively.

As far as amounts are concerned, annual NOI has fallen below our initial estimate by more than 500 million yen. The first major reason for this shortfall is the failure to achieve projected sales-based rents owing mainly to weak specialty store sales as a result of the aforementioned lower-than-expected number of visitors. Looking at each individual floor, the gap compared with initial estimates is most prominent for tenants located on the third and fourth floors.

Under these circumstances, we realize the importance of raising awareness toward the renewal work completed at Nara Family, in order to boost the number of visitors to the facility. Through promotional activities targeting children and families, we will work to attract an expanded customer base that will also call into specialty stores on the third and fourth floors. For visitors looking to just kill some time, we will actively use the camel open space located at the facility's entrance and the rooftop to newly attract customers by conducting events, inviting special event tenants, and promoting a variety of other initiatives. At the same time, we will bolster preferential services targeting the 110,000 specialty store card members, undertake a series of events that encompass the facility as a whole in cooperation with Kintetsu Department Store and the AEON Group, and push forward a host of promotional measures. Through these means, we will work diligently to encourage existing customers to use the facility more and to increase the rate of repeat visits.

Specialty store zone card member sales account for 53% of total specialty store sales. For this reason alone, card members have an extremely important role to play in efforts aimed at increasing sales by capturing a growing number of card members and encouraging repeat purchases. In specific terms, the total number of card members has increased 24% compared with the number recorded in October 2016 prior to renewal. Moreover, the number of card members under the age of 39, which remained low at Nara Family, climbed a substantial 37% thanks largely to the effects of new events targeting the younger generation. Moving forward, we will continue to push measures aimed at increasing the number of card members.

Our failure to achieve initially estimated annual sales and NOI can also be attributed to unexpected delays in leasing activities. In specific terms, we have experienced delays in leasing 11 sections. While 6 sections of the 11 sections were leased and opened during the August 2017 period, 5 remain vacant. While this delay reflects the stringent approach we are taking to select tenants that best fit the overall direction of the facility, taking into consideration conditions following the property's renewal, we will endeavor to lease the remaining sections at the earliest possible opportunity.

As a part of additional efforts aimed at drastically improving operations at Nara Family, we have newly appointed a sales promotion company with an impressive track record with respect to highly trend-conscious large-scale shopping centers, and undertaken various measures including a review of the operating structure in line with the facility's strategy. Buoyed by these endeavors, we are working to achieve initial estimates by 2020.

## Renewal works on the 1st and 2nd floors completed, following the renewal of the first basement floor completed in June 2016

### First large-scale renovation of the 1st and 2nd floors in 12 years



#### かみしんプラザ KAMISHIN PLAZA

Location	Osaka-shi, Osaka
Construction date	May 1980, etc.
Leasable area	11,955.96㎡
Occupancy ratio	99.6% (as of Oct. 17, 2017)
No. of tenants	37 (as of Oct. 17, 2017)
Key tenants	Heiwado Friend Mart, The Bank of Tokyo-Mitsubishi UFJ

#### Points of renewal

- For the first time in 12 years since it was renovated as Seed On Plaza in October 2005, there will be a major replacement of tenants on the first and second floors. JRF made a major replacement of tenants on the 1<sup>st</sup> and 2<sup>nd</sup> floors for the first time in 12 years.
- The phase 2 project following the renewal of first basement floor conducted in June 2016 intended to attract more customers
- Following the concept of "Kamishin Natural Style" used in the renovation of the first basement floor, the renovation for the 1<sup>st</sup> and 2<sup>nd</sup> floors followed a natural design of white tones accented with wood and greenery.
- The property has 8 new stores, including the main baby and children items store Nishimatsuya, the family shoe store ASBEE fam, and the amusement park AMUSE PARK which can be enjoyed by all three generations.

#### 8 new stores

Green Parks topic (ladies' apparel store), ASBEE fam (shoes store),  
Benesse's English Studio (English school), Nishimatsuya (baby / children's goods store),  
Pied à pied by tutuanna (socks and underwear store), yakitate! (bakery / café),  
JINS (eyewear store) and AMUSE PARK (game)

1<sup>st</sup> floor

Before

After

2<sup>nd</sup> floor

Before

After

► Sales after renewal opening  
(Sep. 15, 2017 ~ Oct. 9, 2017 : 25 days)  
Sales: 380 million JPY (The same day of the previous year **124%**)

Turning to KAMISHIN PLAZA, I direct you to page 24.

In the spring of 2016, JRF replaced the supermarket, an anchor tenant located on the first basement floor, as a part of first phase project work conducted to renew KAMISHIN PLAZA. The number of visitors and sales have increased steadily over the ensuing period.

In this instance, and as a part of second phase project work, eight new tenants, including such well-known names as JINS, ASBEE fam, and Green Parks topic, have taken up space on the first and second floors. In addition to broadening the types of tenants and expanding product lineups, second phase project work has encompassed the renovation of common areas on the first and second floors.

By creating an entirely fresh environment, we are endeavoring to raise the facility's competitiveness and to further enhance the ability to attract customers.

One month has passed since the facility's reopening and completion of renewal work. Over this period, sales trends have been steady climbing 24% year on year.

## Grand Opening a new green outdoor plaza where people can interact with nature

### Unveiling of HARVEST PLAZA, a 4,200m<sup>2</sup> outdoor plaza



Location	Oyama-shi, Tochigi
Construction date	Mar. 2007, etc.
Leasable area	59,813.73m <sup>2</sup>
Occupancy ratio	99.3% (as of the end of Sep. 2017)
No. of tenants	71 (as of the end of Sep. 2017)
Key tenants	York Benimaru, Super Viva Home

#### Points of renewal

- The facility holds a number of outdoor events and provide entertaining opportunities throughout the year, utilizing the vast scale premises. It was designed to provide experience of enjoying shopping while spending time in a pleasant outdoor space, based on the concept of "SHOPPING IN THE PARK"
- Part of the parking lot has been transformed into an outdoor plaza, HARVEST PLAZA, lined with the official trees of Oyama City to express the changes of the four seasons along with various playful types of outdoor furniture
- 12 stores such as TSUTAYA BOOK STORE with a café and others including those opened for the first time in Tochigi Prefecture newly opened, and 6 stores completed their renovation works, which evolved this facility into a more comfortable retail facility offering hospitality to all generations from children to the elderly

#### 12 new stores

TSUTAYA BOOK STORE (book café), Wakuwaku Hiroba (grocery store for locally-produced vegetables), Francfranc (interior goods store), GLOBAL WORK (apparel store), THE SHOP TK (apparel store), Saizeriya (restaurant), Fujiemon (restaurant), Blossom (hair salon), Matsumoto Kiyoshi (drug store), Patty's & CLOVER (sundries), Ringer Hut (restaurant) and HEART MARKET (ladies' apparel store)

#### HARVEST PLAZA



【FOREST GARDEN】



【PLAY WALL】

#### <Additional acquisition of UNIQLO Bldg.>

##### Points of acquisition

- ✓ Improve profitability of the entire property
- ✓ Improve flexibility of facility management



Acquisition date : Aug. 31, 2017  
Acquisition price : 255 million JPY  
Appraisal value : 264 million JPY

Shifting our attention to Oyama Yuen Harvest Walk, I would now ask that you turn to page 25.

After completing second phase project work, Oyama Yuen Harvest Walk was newly reopened on October 7. In addition to the introduction of 12 new stores including francfranc and GLOBAL WORK, six existing stores have completed extensive renovations. Some 4,200 square meters of the outdoor parking lot has been converted to an open space referred to as HARVEST PLAZA, and lined with trees and a variety of playful furniture as well as other features. Every effort has been made to provide visitors with an enjoyable shopping and eating experience, together with the pleasures of a green outdoor space where they can interact with nature.

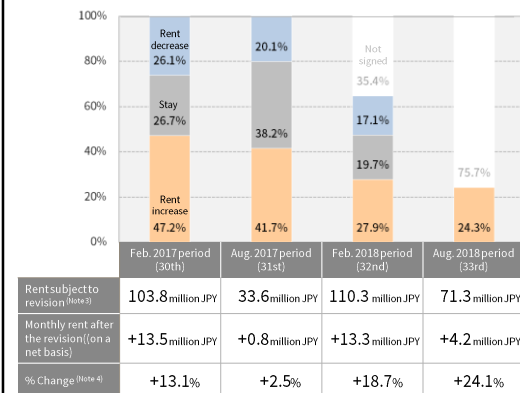
Oyama Yuen Harvest Walk is also scheduled to welcome the popular TSUTAYA BOOK STORE in December.

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

► Rent gap in the urban-type retail properties in the portfolio is approximately 4%<sup>(Note1)</sup>

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

- The key factor of rent decline is the downward rent revision for tenants that stay in business during the renewal project of KAWASAKI Le FRONT, which is attributed to a probable decrease in the visitors due to the closure of some blocks for renovation



(Note 1) The gap between the monthly rent of existing tenants and the market rent price specified in the appraisal reports. The monthly rents subjects are fixed-term leasing contracts in urban-type retail properties that will be renewed after the end of the 31st period ended in August 2017.

(Note 2) Represented by the breakdown of monthly rents before revision that increased, remained flat or decreased at the renewal date of which will come during the relevant period (Specified in the fixed-term leasing contracts with regard to urban-type retail properties)

(Note 3) Represented by the aggregate rents for blocks in urban-type retail properties the fixed-term leasing contracts of which will expire and be subject to renewal

(Note 4) Increase/decrease rate is represented by (monthly rent after revision - monthly rent before revision) / monthly rent before revision (excluding rents specified in unsigned leasing contracts)

### Example of rent increase



#### La Porte Aoyama

- New tenants that matches characteristics of the area to be attracted upon the expiration of the leasing contracts with the existing tenants
- Existing tenants' rent increased based on the trend of the market rent increase

	Floor area	Rent growth (Note 4)
1 tenant	Approx. 40 tsubo	+ 41.8%
1 tenant	Approx. 80 tsubo	+ 13.0%



#### G-Bldg. Shibuya 01

- Meeting the needs of the existing tenant for relocation, JRF attracted a capsule (pod) hotel operated by Global Agents Co., Ltd., "THE MILLENNIALS", as the second hotel under the brand that will be opened in March 2018
- Rent was increased after the transition from a single-tenant property to a multi-tenant property

	Floor area	Rent growth (Note 4)
2 tenants	Approx. 470 tsubo	+ 7.7%

With a view to JRF's internal growth strategy from another angle, I would like to touch on certain examples of rent increases at urban-type retail properties. Please turn to page 26.

Here on this page, we provide brief details of an increase in rent at urban type properties.

Harnessing the competitiveness of urban type properties derived from their excellent locations, we continue to achieve steady increases in rents. Taking into consideration the outlook for rent revisions in the future, I would like to provide an update on the rent gap data for urban properties as a whole.

Currently, the rent gap for all urban properties stands at roughly 4%. This reflects the rate of deviation of contract rents from market rents identified in appraisal reports.

Turning to the graph at the left side of the page, we provide details of the amounts of monthly rents subject to review by period.

For example, in the February 2017 period, contracts with rents totaling 103.8 million yen were subject to review. On a net basis, rents were revised upward by 13.5 million yen.

In the August 2017 period, contracts with rents totaling 33.6 million yen were subject to review. Rents were increased for 41.7% of this total and decreased for 20.1%. On a net basis, this came to an increase of 0.8 million yen.

Even though the timing of rent revisions for the February 2018 and August 2018 periods are sometime in the future, certain contracts have been reviewed. In each case, we have secured an increase in rents for each period.

The portions of each bar colored in blue in the graph represent a downward revision in contract rents from the February 2017 to the February 2018 periods. This downward revision largely reflects a temporary decrease in the rents of specialty store tenants at KAWASAKI Le FRONT during the period of renewal project work.

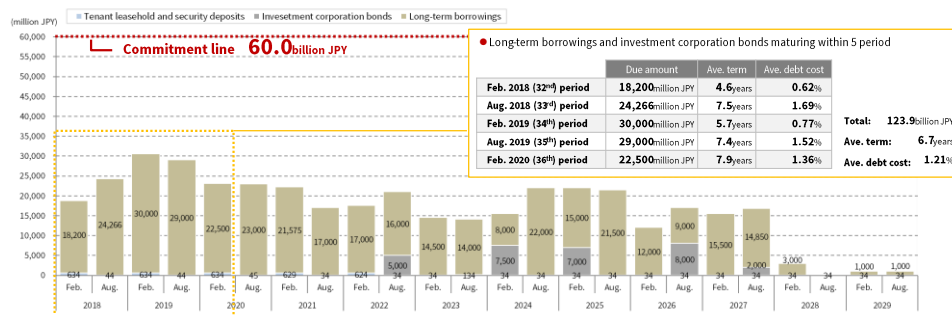
At the right of the page, we provide two specific examples of the upward revision of rents.

To coincide with the lease agreement expirations of existing tenants at La Porte Aoyama, we contracted with new tenants that better match the characteristics of the area. As a result, rents increased by 41.8%. At the same time, we secured a separate increase in rent of 13% following a review of existing tenant agreements.

At G-Bldg. Shibuya 01, we negotiated the return of space encompassing the upper floors of the building with the sole tenant after lengthy discussions. We then contracted with a new type of hotel, run by Global Agents Co., Ltd., the tenant at G-Bldg. Kyoto Kawaramachi 01, to take up this upper floor space. In this manner, we secured an increase in rent.

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

## Maturity ladder (as of Oct. 16, 2017)



## Recent refinance activities

Debt cost was considerably reduced after the refinancing of the two existing loans for almost the same borrowing period

<Refinancing activities from May 2017 (including issuance of investment corporation bonds)>

Debt matured		Refinance debt	
Amount	34,000 million JPY	Amount	34,000 million JPY
Ave. debt cost	1.22%	Ave. debt cost	0.38%
Ave. term	6.1 years	Ave. term	5.9 years

## Issued investment corporation bond (5 years, 10 years)

In May 2017, 5-year and 10-year investment corporation bonds were issued in time with the redemption of the 6th investment corporation bonds (15 billion JPY, 10-year bond, 1.8%)

	Series 10 Unsecured Corporation Bonds	Series 11 Unsecured Corporation Bonds
Issue amount	5,000 million JPY	2,000 million JPY
Term	5.0 years	10.0 years
Interest	0.220%	0.480%
Issue date	May 19, 2017	May 19, 2017
Redemption date	May 19, 2022	May 19, 2027

Once again changing tack, I would like to comment on JRF's financial strategy. Please turn to page 27.

As you can see from the maturity ladder on this page, the amount of repayment each period is roughly 25 billion yen. JRF has also secured a commitment line of credit totaling 60 billion yen, which allows it to address any sudden financial crisis.

A snapshot of recent refinancing activities since May this year is provided at the bottom of the page. Over this period, JRF refinanced debt totaling 34 billion yen, which covered loans for roughly the same average borrowing period. In doing so, we were successful in substantially reducing our average debt cost from 1.22% to 0.38%.

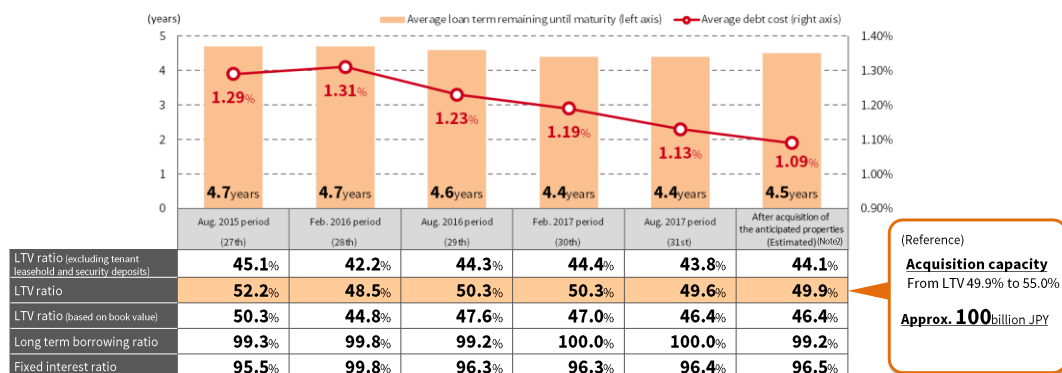
A total of 123.9 billion yen is scheduled for refinancing up to the February 2020 period. Should conditions throughout Japan's current financial markets remain unchanged, we anticipate undertaking borrowings at a cost that falls well below the average interest rate of existing debt of 1.21% going forward.



## LTV management for stable financial base

### Trend of financial indices<sup>(Note 1)</sup>

- Even after implementing the repurchase of own investment units, LTV benchmark is 45% - 55%
- Aim to strengthen stable financial base while carefully focusing on debt cost control
- In the case of repurchasing own investment units up to the upper limit (10 billion yen), the impact on LTV is + 0.5%



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

(Note 2) Estimated figures for the end of the 32nd period ending Feb. 2018, reflecting the impact from acquisition of the anticipated properties and borrowings together with the acquisitions.

Please turn to page 28.

Looking at trends in key financial indices, JRF's long-term borrowing ratio comes in at 100% after purchasing assets earmarked for acquisition, with virtually all of this debt incurred on a fixed interest rate basis. After acquiring 2 new properties, the average loan term remaining until maturity comes in at 4.5 years and the average cost of debt at 1.09%. Our book value LTV is 49.9% and our LTV ratio (excluding tenant leasehold and security deposits) is 44.1%. For reference, JRF's LTV on a market value basis is 46.4%. 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%.

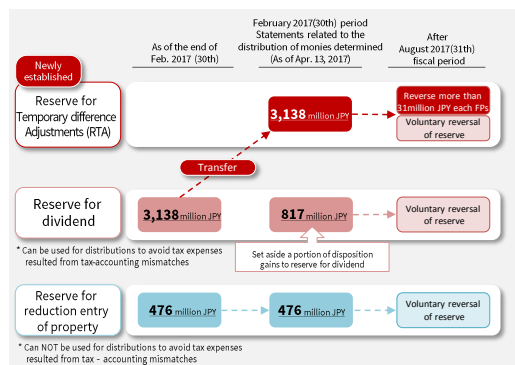
Meanwhile, the acquisition of own investment units to the maximum amount of 10 billion yen will push up the LTV ratio by 0.5 of a percentage point.



## 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 JPY 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	3,106 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>
<b>Total reserve</b>	<b>4,401 million JPY<sup>(Note 2)</sup></b>
<b>Reserve per unit: 1,650 yen<sup>(Note 2)</sup></b>	

#### Specific use of reserve

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

(Note 1) As of Oct. 16, 2017 when the distribution statements in the financial statements of fiscal period ended Aug. 2017 was approved by the JRF's Board of Directors.

(Note 2) Based on the number of outstanding investment units as of Oct. 16, 2017 (2,667,198 units)

Moving onto the utilization of reserves, please turn to page 29.

As of the end of the February 2017 period, JRF transferred an amount totaling 3 billion 138 million yen from the reserve for dividends to the reserve for temporary difference adjustments. For its part, the Investment Corporation is taking steps to reverse and drawdown this reserve by a figure that exceeds the straight-line amount over 100 periods or 50 years. Over this term, this will have a positive impact of 11 yen per unit each period commencing August 2017.

JRF currently maintains three types of reserves with an aggregate total of 4 billion 401 million yen.

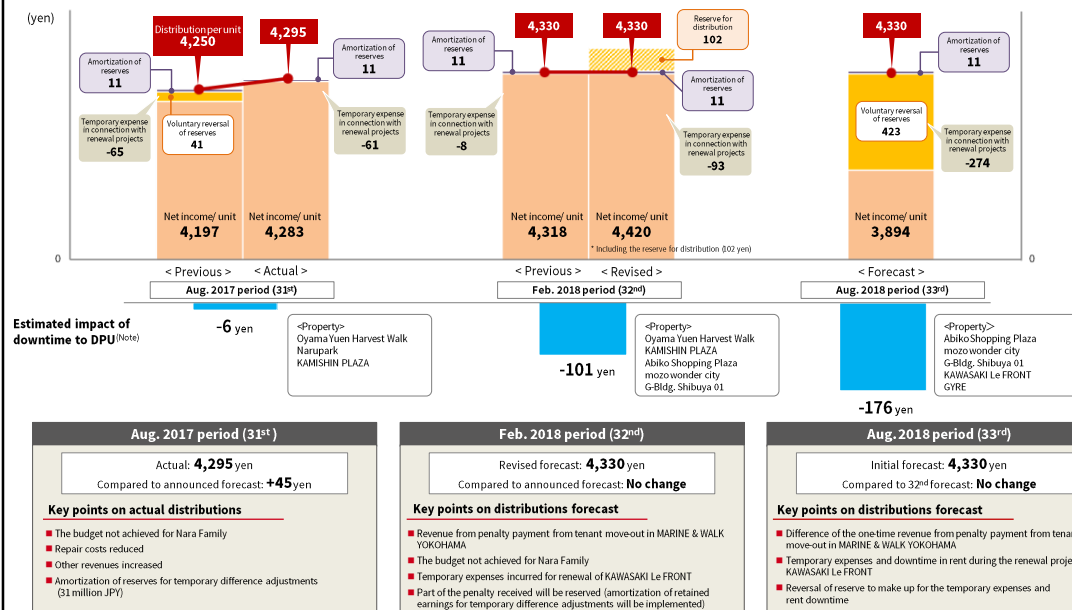
Policies regarding the specific use of reserves are presented at the bottom right of the page. Guided by these policies, we will continue to allocate reserves to such items as temporary expenses in connection with the renewal and reconstruction of existing assets.

# 5. Financial Results and Forecasts



mozo wondercity

## Illustration of the actual and forecasts for distribution per unit



(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 or actual after depreciation net operating income before the renewal projects.

I would now like to elaborate on JRF's financial results and forecasts.  
Please turn to page 31.

A summary of financial results and forecasts is provided in the bar graph that runs across the top half of the page.

Looking especially at forecasts for the August 2018 period, net income is projected to decline. This forecast downturn is largely attributed to the irregular overlap of temporary expenses in connection with the renewal of multiple assets including KAWASAKI Le FRONT, second phase project work at mozo wonder city, and the renovation of such properties as Abiko Shopping Plaza and GYRE. Moreover, we anticipate net income will be negatively affected by the downward pressure placed on rents attributable to downtime during construction. We are, however, working diligently to steadily boost the portfolio's ability to generate earnings in a bid to achieve our medium-term DPU target of 4,500 yen. As the increase in temporary expenses attributable to the renewal of multiple properties comes to an end, we are confident that we will achieve this goal.

	Feb. 2017 Period (30th) (Actual)	Aug. 2017 Period (31st) (Actual)	Change	Apr. 13, 2017 (Revisions of forecast)	Change
Operating revenue	31,585	31,011	-573	31,040	-29
Operating expenses	17,603	17,268	-335		
(Rent NOI)	21,141	22,543	+1,401	22,329	+213
Operating income	13,981	13,743	-237	13,535	+207
Non-operating revenue	3	6	+3		
Non-operating expenses	2,319	2,323	+4		
Ordinary income	11,665	11,426	-239	11,195	+230
Net income	11,664	11,425	-239	11,195	+230
Allocation to reserve	817	—	-817	—	—
Reversal of reserve	—	31	+31	140	-109
Total distribution	10,846	11,457	—	11,335	+121
Units outstanding	2,552,198 units	2,667,198 units	+115,000 units	2,667,198 units	—
DPU	4,250 yen	4,295 yen	+45 yen	4,250 yen	+45 yen
FFO per unit (Note 1)	6,234 yen	6,428 yen	+194 yen	6,354 yen	+74 yen
FFO pay out ratio	68.2 %	66.8 %	—	66.9 %	—
Capital expenditures	7,969	1,305	-6,664	1,848	-543
Repair expenses	815	204	-611	303	-99
Total	8,784	1,509	-7,275	2,152	-643
Depreciation	5,632	5,733	+100	5,753	-20

(Note 1) 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 2) Million JPY unless otherwise noted.

#### Major factors behind change during Aug. 2017(31<sup>st</sup>) period (Compared to previous period)

(million JPY)	
Operating revenues	-573
✓ Rent revenue related to the properties acquired through PO in 2017	+880
✓ Rent revenue related to the disposed 2 suburban properties	-222
✓ Rent revenue related to new acquisition as a part of asset replacement	+134
✓ Absence of gain on sale of properties	-1,374
✓ Existing properties (increase in rent +366, increase in utility revenues +99, decrease in penalty income -359, others -106)	+7
Operating expenses	-335
✓ Expense related to the properties acquired through PO in 2017	+227
✓ Expense related to the disposed 2 suburban properties	-90
✓ Expense related to new acquisition as a part of asset replacement	+39
✓ Existing properties (property-related tax +48, repair and maintenance -604, utility charge +181, PM fee -131, decrease in promotion expenses -133, loss on disposal of fixed assets +29, depreciation +44, others -112)	-675
✓ Increase in general administration fees	+164
Operating income	-237
Ordinary income	-239
Net income	-239

#### Major factors behind change during Aug. 2017 (31<sup>st</sup>) period (Compared to the revised forecast as of Apr. 13, 2017)

(million JPY)	
Operating revenues	-29
✓ Decrease in operating revenue of Nara Family	-268
✓ Rent revenue related to other properties	+58
✓ Increase in other revenues (utility charge received -5, card fee income +22, penalty income +21, others +130)	+168
✓ Gain on sale of Ito-Yokado Kamifukuoka Higashi	+11
Operating expenses	-237
✓ Decrease in repair expense	-99
✓ Decrease in utility expense	-91
✓ Decrease in PM fee and BM fee	-62
✓ Decrease in depreciation	-20
✓ Increase in general administration fees	+38
Operating income	+20
Decrease in interest payments	-16
Ordinary income	+23
Net income	+23

On pages 32, 33, and 34, we outline financial results and forecasts in more detail. Looking first at JRF's profit and loss performance in the August 2017 period, I direct your attention to page 32.

At the top half of the right side of the page, we provide details of the major factors behind changes in JRF's financial results in the August 2017 period compared with the February 2017 period. As you can see, increases in operating revenue, including rent of 880 million yen from the 4 properties acquired following the public offering conducted in March 2017, were more than offset by decreases such as the absence of the gain on sales of properties totaling 1 billion 374 million yen recorded in the February 2017 period. As a result, operating revenue declined 573 million yen.

Meanwhile, operating expenses increased due a variety of factors including an upswing of 227 million yen in expenses related to newly acquired properties. On a positive note, these increases were outweighed by a downturn in operating expenses of 675 million yen, such as the drop-in repairs and maintenance costs at existing properties including Nara Family. Accounting for these factors, operating expenses in the August 2017 period declined 335 million yen compared with the February 2017 period.

There was no major change in non-operating revenue and expenses. As a result, net income came in at 11 billion 425 million yen, down 239 million yen compared with the previous period. Adding to this the straight-line amount of reserve depreciation of 31 million yen, total distribution and DPU for the August 2017 period came to 11 billion 457 million yen and 4,295 yen, respectively.

Turning to the bottom half of the right side of the page, we provide details of the major factors behind changes in JRF's financial results in the August 2017 period compared with revised forecasts announced in April this year.

The downturn in Nara Family operating revenue was more than offset by increases in other revenue and the decrease in repairs and maintenance expenses totaling 99 million yen in line with the replacement of tenants at Makuhari Plaza and G-Bldg. Shinsaibashi 04. Taking these factors into consideration, net income in the August 2017 period was 230 million yen higher than the revised forecast announced in April 2017.

	Feb. 2017 Period (30th) (Actual)	Aug. 2017 Period (31st) (Actual)	Change
Total assets (1)	856,627	897,631	+41,004
Total liabilities	439,971	455,664	+15,692
Interest-bearing liability (2)	379,991	393,091	+13,100
Tenant leasehold and security deposits (3)	50,713	52,138	+1,424
Net assets	416,655	441,967	+25,311
LTV ( (2)+(3) ) / (1)	50.3 %	49.6 %	-0.7 points
LTV (2) / (1)	44.4 %	43.8 %	-0.6 points
Long-term borrowings ratio	100.0 %	100.0 %	—
Fixed interest rate ratio	96.3 %	96.4 %	+0.1 points
Average debt cost	1.19 %	1.13 %	-0.06 points
Number of properties	92 properties	95 properties	+3 properties
Aggregate acquisition price	847,281	880,210	+32,928
Unrealized profits and losses	+ 114,643	+ 127,175	+12,531
Book value	801,896	832,354	+30,458
Appraisal value	916,540	959,530	+42,990

<Reference: Balance of reserve> \* Balance of reserve after approval of distributions at the JRF board directors meeting of each period.

Balance of reserve	4,432	4,401	-31
Reserve for dividends	817	817	—
Reserve for reduction entry of property	476	476	—
Reserve for temporary difference adjustments	3,138	3,106	-31

#### Major factor behind change during Aug. 2017 (31<sup>st</sup>) period (Compared to previous period)

	(million JPY)
<b>Total assets</b>	<b>+41,004</b>
✓ Acquisition of new properties	+41,719
✓ Disposition of existing properties	-6,062
✓ Depreciation, loss on disposal of fixed assets	-5,800
✓ Increase in cash and bank deposits	+10,870
✓ Consumption taxes receivable, etc.	-494
✓ Long-term prepaid expense	-246
<b>Total liabilities</b>	<b>+15,692</b>
✓ Increase in interest-bearing liabilities	+13,100
✓ Increase in tenant leasehold and security deposits	+1,424
✓ Consumption tax payable, etc.	+368
<b>Net Assets</b>	<b>+25,311</b>
✓ Increase in capital associated with issuance of new units	+24,679

Moving on to page 33, I would like to touch briefly on JRF's balance sheet as of the end of the August 2017 period.

As of August 31, 2017, total assets stood at 897 billion 631 million yen, up 41 billion yen compared with the balance as of February 28, 2017. Looking at the characteristics of major changes in balance sheet items, the acquisition of 6 new properties in conjunction with the public offering and other initiatives including the replacement of certain properties boosted assets by 41.7 billion yen. Total assets declined 6 billion yen owing to the disposition of existing properties including Ito-Yokado Kamifukuoka-higashi in line with the replacement of assets.

Total liabilities came to 455 billion 664 million yen, up 15 billion 692 million yen. Major movements included an increase in interest-bearing liabilities of 13 billion 100 million yen.

Unrealized profit climbed 12 billion 531 million yen to 127 billion 175 million yen.

## Forecasts for the Coming Two Periods

	Aug. 2017 Period (31st) (Actual)	Feb. 2018 Period (32nd) (Forecast)	Change	Aug. 2018 Period (33rd) (Forecast)	Change
Operating revenue	31,011	31,662	+650	30,655	-1,006
(Rent NOI)	22,543	22,859	+316	21,449	-1,409
Operating income	13,743	14,012	+268	12,625	-1,386
Ordinary income	11,426	11,790	+364	10,389	-1,401
Net income	11,425	11,789	+364	10,388	-1,401
Allocation to reserve	—	272	+272	—	-272
Reversal of reserve	31	31	—	1,160	+1,128
Balance of reserve <sup>(Note 1)</sup>	4,401	4,651	—	3,491	—
Total distribution	11,457	11,548	+91	11,548	—
Units outstanding	2,667,198 units	2,667,198 units	—	2,667,198 units	—
DPU	4,295 yen	4,330 yen	+35 yen	4,330 yen	—
FFO per unit <sup>(Note 2)</sup>	6,428 yen	6,591 yen	+163 yen	6,047 yen	-544 yen
FFO pay out ratio	66.8 %	65.7 %	—	71.6 %	—
Capital expenditures	1,305	2,363	+1,058	2,652	+288
Repair expenses	204	455	+251	701	+246
Total	1,509	2,818	+1,309	3,353	+535
Depreciation	5,733	5,781	+48	5,740	-41

(Note 1) Balance of reserve after approval of distributions at the JRF board directors meeting for each period.  
 (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. 2018 (32<sup>nd</sup>) period

(Compared to actual results of Aug. 2017 (31st) period)

Operating revenues	+650
✓ Penalty income of MARINE & WALK YOKOHAMA, etc.	+835
✓ Rent revenue of newly acquired properties, etc.	+267
✓ Rent revenue of Ito-Yokado Kamifukuoka Higashi, etc.	-46
✓ Existing properties (utility charge received -123, penalty income -88, others -193)	-405
Operating expenses	+381
✓ Expense from tenant move-out in MARINE & WALK YOKOHAMA, etc.	+141
✓ Expense of newly acquired properties	+23
✓ Expense of Ito-Yokado Kamifukuoka Higashi	-27
✓ Existing properties (repair expense +170, utility charge -181, PM and BM fee +111, promotion expense +67, others +103)	+256
✓ Decrease in general administration fees	-12
Operating income	+268
✓ Decrease in interest payments	-80
✓ Decrease in amortization of unit issuance costs	-12
Ordinary income	+364
Net income	+364

#### Major factors behind change during Aug. 2018 (33<sup>rd</sup>) period

(Compared to forecast for Feb. 2018 (32<sup>nd</sup>) period)

Operating revenues	-1,006
✓ Decrease in penalty income of MARINE & WALK YOKOHAMA, etc.	-776
✓ Renewal downtime of KAWASAKI Le FRONT	-456
✓ Contribution, in full, of rent revenue of new 3 properties	+80
✓ Existing properties (rent +13, utility charge received +45, penalty income -20, others +107)	+146
Operating expenses	+379
✓ Decrease in expense from tenant move-out in MARINE & WALK YOKOHAMA	-53
✓ Expense due to renewal of KAWASAKI Le FRONT, etc.	+293
✓ Contribution, in full, of expense of new 3 properties	+22
✓ Existing properties (property-related tax of new acquired properties +57, rise in property-related tax of existing properties +45, repair expense -61, utility charge +87, PM and BM fee -82, loss on disposal of fixed assets +46, depreciation -50, others +55)	+99
✓ Increase in general administration fees	+17
Operating income	-1,386
✓ Increase in interest payments	+14
Ordinary income	-1,401
Net income	-1,401

Here on page 34, I would like to comment on the major factors behind changes in profit and loss during the February 2018 and August 2018 periods.

At the top right of the page, we provide details of major factors behind changes during the February 2018 period compared with the August 2017 period. Operating revenue is projected to climb 650 million yen. Despite such factors as the estimated drop in other revenue at existing properties of 405 million yen, we anticipate operating revenue will be boosted by the previously mentioned penalty income in connection with MARINE & WALK YOKOHAMA of 835 million yen and other factors including an increase in rent revenue of 267 million yen from Valor Kachigawa (Land with leasehold interest) and the scheduled acquisition of 2 other properties in November.

Operating expenses are expected to grow 381 million yen. In addition to expenses of 141 million yen in connection with the restoration of premises to their original condition following the departure of a tenant at MARINE & WALK YOKOHAMA, we anticipate an increase in other operating expenses including repairs and maintenance at existing properties.

Accounting for these and other factors, operating income is forecast to come in at 14 billion and 12 million yen, up 268 million yen. Taking into consideration an anticipated decrease in interest payments of 80 million yen through refinancing, we project net income will total 11 billion 789 million yen in the February 2018 period, an increase of 364 million yen compared with the August 2017 period.

Through such initiatives as the allocation to reserves of 272 million yen, total distribution is estimated to total 11 billion 548 million yen. On this basis, we are projecting a DPU of 4,330 yen.

Finally, I would like to touch briefly on forecasts for the August 2018 period. Again, at the bottom right of the page, we provide details of major factors behind changes compared with the February 2018 period.

Operating revenue is projected to fall 1 billion and 6 million yen. This is largely due to the absence of the penalty income of 776 million yen associated with MARINE & WALK YOKOHAMA that we expect to post in the February 2018 period, and other factors including an impact of 456 million yen attributable to downtime due to renewal work at KAWASAKI Le FRONT.

We estimate that operating expenses will climb 379 million yen in line with the upswing in construction and other expenses. This is mainly due to renewal work at KAWASAKI Le FRONT. As a result, net income is forecast to total 10 billion 388 million yen, down 1.4 billion yen.

Based on these forecasts, we intend to reverse and drawdown reserves by an amount totaling 1 billion 160 million yen. This will allow us to declare a DPU of 4,330 yen, unchanged from the forecast DPU for the February 2018 period.

This then concludes the presentation. We thank you for your interest and attention.

## 6. Difference in Retail Environment between Japan and the US








G-Bldg. Umeda 01



Key Differences between Japan and the US

Population demographic in Japan concentrated in urban areas











 Japan		US	
378 thousand km <sup>2</sup>	Land area	9,628 thousand km <sup>2</sup>	
126.67 million	Population	326.03 million (approx. 3 times as Japan)	
approx. 335/km <sup>2</sup> (Tokyo: approx. 6,224/km <sup>2</sup> )	Population density	approx. 34/km <sup>2</sup> (NY: approx. 1,084/km <sup>2</sup> )	
Concentrated in urban areas (Population of urban area <sup>(Note)</sup> : 93%)	Demographics	Relatively diversified (Population of urban area <sup>(Note)</sup> : 82%)	
106% (approx. 50% for urban area)	Car ownership (per family)	92%	
 Mainly by train	Commuting method	Mainly by car  	

(Source) PFSweb, Inc





Comparison of Passengers at Major Stations

44 stations in Japan are ranked among the global top 50 in term of passenger volume, monopolizing from 1<sup>st</sup> to 23<sup>rd</sup>

TOP10 in global ranking of passenger volume in train stations



Rank	Station	Area	Avg. dairy passenger volume	Total retail sales in the surrounding trade area
1	Shinjuku	 Tokyo	3,873,096	1,321 billion JPY
2	Shibuya	 Tokyo	3,238,814	1,113 billion JPY
3	Ikebukuro	 Tokyo	2,630,830	785 billion JPY
4	Umeda	 Osaka/ Nagoya	2,399,736	817 billion JPY
5	Yokohama	 Tokyo	2,047,379	3,475 billion JPY
6	Kitasenju	 Tokyo	1,537,181	504 billion JPY
7	Nagoya	 Osaka/ Nagoya	1,257,960	2,956 billion JPY
8	Tokyo	 Tokyo	1,068,877	908 billion JPY
9	Shinagawa	 Tokyo	995,668	845 billion JPY
10	Takatanobaba	 Tokyo	900,055	1,321 billion JPY

(Reference: Passenger volume for major stations in the US)

Station	Avg. dairy passenger volume
 Times Sq-42 (MTA)	202,363
 Grand Central-42 (MTA)	158,580
 Penn Station New York (NJT)	94,859
 World Trade Center (PATH)	54,574

Comparison of Commercial Environment

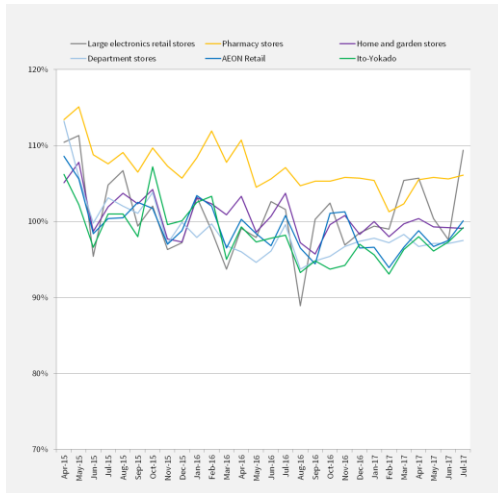
Retail area per capita of the US is twice that of Japan

 Japan		US 
\$1.00 trillion	Total retail sales <small>(Excluding Motor vehicle &amp; Fuel stores)</small>	\$3.78 trillion <small>(approx. 4 times as Japan)</small>
approx. 3,200	# of shopping centers	approx. 47,000 <small>(approx. 15 times as Japan)</small>
11 sq. ft.	Retail SF per capita	24 sq. ft. <small>(approx. 2.2 times as Japan)</small>
\$7,862	Retail sales per capita	\$11,599 <small>(approx. 1.5 times as Japan)</small>
Urban areas	More retail sales in	Suburban areas

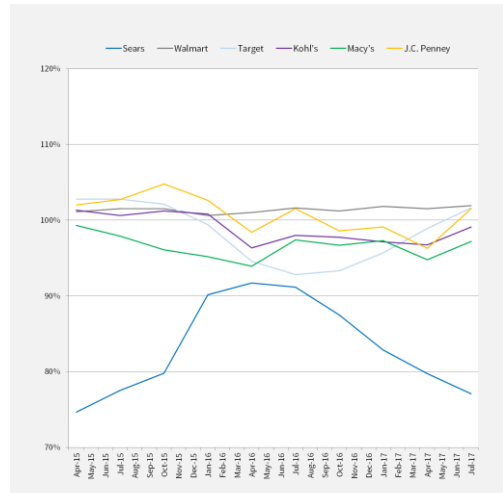
## Retail Sales in Japan and the US

### Sales of major Japanese retailers are stable

**YoY change in monthly retail sales by major facility types in Japan** (Apr. 2015 – Jul. 2017)



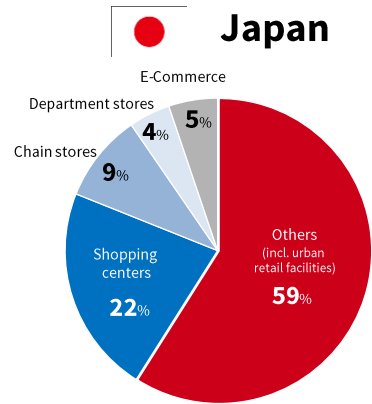
**YoY change in quarterly sales by major US retailers** (Apr. 2015 – Jul. 2017)



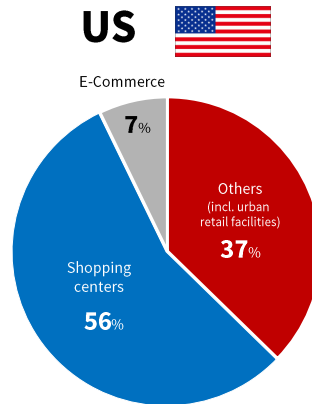
Breakdown of Retail Sales

Urban retail facilities represent a much larger share in Japan retail market compared to the US

Breakdown of total retail sales



(Source) INTERNET RETAILING IN JAPAN (2015)



(Source) INTERNET RETAILING IN THE US (2015)

Think bold today for a brighter tomorrow.



## Japan Retail Fund Investment Corporation

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**Asset Management Company : Mitsubishi Corp.- UBS Realty Inc.**

(Financial Instruments Dealer Director of Kanto Financial Bureau (Financial Instruments Dealer) Number 403, Member of The Investment Trusts Association, Japan)