

**Japan Retail Fund Investment Corporation**  
**February 2018 (32nd) Period Analyst Meeting**  
**Q&A Session Summary**

Date: April 17, 2018

In the Analyst Meeting Q&A session, five participants put forward a total of ten questions. They have been grouped under the titles “KAWASAKI Le FRONT,” “Nara Family” and “Others,” based on the content of the questions.

**KAWASAKI Le FRONT**

**Q1: Is it correct to conclude that, until the February 2020 (36th) period, you will maintain distributions by utilizing reserve to cover reduced net income due to downtime and temporary expenses associated with the renewal of KAWASAKI Le FRONT, from the August 2020 (37th) period you will deliver the current distribution level through net income only, and with the opening of the large entertainment content in March 2021, you will achieve the medium-term target distribution of 4,500 yen?**

A1: As you stated, upon completion of the renewal of KAWASAKI Le FRONT, we expect to achieve distribution of 4,500 yen. At present, the construction schedule has not been settled, but as we are steadily confirming tenants, there will be no significant changes to the schedule shown at the bottom right of page 22 of the Period Results material.

**Q2: At the bottom right of page 22 of the Period Results material, you indicate the impact of the renewal on the income and expenditure. If the renewal proceeds smoothly, to what extent is it necessary to reduce reserve in order to maintain distribution of 4,430 yen?**

A2: The most significant downtime and temporary expenses due to the renewal of KAWASAKI Le FRONT will occur in the February 2019 (34th) period. The next biggest impact will arise in the August 2019 (35th) period. In the February 2020 (36th) period, only the lease-up of the large entertainment content will remain, and the impact is expected to be approximately half that of the February 2019 (34th) period. In relation to KAWASAKI Le FRONT, as Marui's withdrawal was expected from the outset of acquisition, JRF has accumulated reserve for several years in preparation for the upcoming renewal. In the future, we intend to utilize reserve to ensure stable distributions.

**Q3: What is your estimated investment amount and return for KAWASAKI Le FRONT?**

A3: We expect the investment amount to be a little over four billion yen including funds for renewal and the equipment replacement in the Marui section after its withdrawal. With regard to return, we are aiming for post-renewal NOI to be approximately the same level as the most recent NOI.

**Q4: With regard to the KAWASAKI Le FRONT renewal, you mentioned the expected return on investment earlier, but after the large-scale renewal is finished and profit has stabilized,**

**do you expect revenue to increase or decrease as compared to the time when Marui was in occupation? What is your forecast?**

- A4: We expect sales to grow after the renewal. On the other hand, with regard to NOI, when Marui acquired the master lease, we did not incur BM costs or promotional expenses, so various expenses will arise after it is converted into a specialty store. Consequently, we are aiming for NOI to be at a level similar to the level when Marui was a tenant.

#### **Nara Family**

**Q5: Regarding Nara Family, what is the approximate ratio of sales to inbound visitors from overseas?**

- A5: In the specialty store zone, although we have recently introduced UnionPay, the inbound ratio is presently less than 1%. We expect this to increase moving forward. With respect to Kintetsu Department Store, as reported in this morning's Nikkei newspaper, it is focused on capturing inbound demand, and inbound sales are growing steadily at the Nara store. Kintetsu Department Store has a certain percentage of that ratio, but the inbound ratio has recently been growing dramatically.

**Q6: Regarding Nara Family, in the previous results announcement, I think that the plan was revised from the initial estimate at the time when the renewal was announced. Can you tell us about the current state of progress in relation to the revised plan?**

- A6: In the previous results announcement, we explained about partial revision of the operating policy, however, sales and rent are presently slightly short of the targets. Meanwhile, one year has passed since the renewal opening, and steady numbers of customers have underpinned an increase in sales over the past five months. We will work to further boost this trend, including capturing the inbound market.

#### **Others**

**Q7: What is your evaluation of the repurchase of own investment units? Also, will you actively consider this as a way of utilizing free cash in the future?**

- A7: As the investment unit price, distributions and NAV have all increased in value, it has had an appropriate effect. On the other hand, the investment unit price has not increased as far as expected, and this is due to two factors: (1) the investment unit price was held back by the negative circumstance of not reaching the expected sales for Nara Family stated in the previous Period Results material immediately after the announcement of repurchase of own investment units; and (2) the range of divergence from the average NAV ratio was small. When we look at the movements of other REITs implementing repurchase of own investment units, the tendency is that the more the REIT's NAV ratio diverges from the REIT average, the greater the rate of increase in the investment unit price. As indicated at the bottom left of page 5 of the Period Results material, there is no change to it being one of the options to improve investor value in the future. However, in the case of implementation of that option, we will consider doing so after monitoring the state of the market and also ascertaining the range of divergence from the average NAV ratio. In either case, we will consider the options from the perspective of the best use of capital at the time.

**Q8: Regarding the trading market for retail properties, are there sufficient buyers for properties other than urban properties (suburban and commuter-town type properties)?**

A8: Yes, there are enough. Currently, our portfolio is valued at 135.1 billion yen, including urban and suburban properties, and we consider that, depending on the property, we can make gains on sale.

**Q9: Regarding rent renewal for urban properties, has there been a significant imbalance in the monthly rent amounts to be renewed per period since the February 2019 (34th) period?**

A9: As described on page 18 of the Appendix, there is no significant imbalance in the monthly rent amounts to be renewed for urban properties.

**Q10: I believe that you are currently conducting a survey of demand with regard to Green Bonds. Please tell us the difference in the procurement interest rates of Green Bonds and investment corporate bonds.**

A10: A decision about interest rates will be made in the future, but when considered with the inclusion of the cost of issuance, it is likely that the rate for Green Bonds will be about the same as or slightly higher than investment corporate bonds. One purpose for issuance is the promotion of ESG, but it also has significance in qualitative terms, such as the diversification of funds procurement, so we would definitely like to proceed with it.

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