

Security code **8953**

US ADR(OTC) : JNRFY

# JAPAN RETAIL FUND

Japan Retail Fund Investment Corporation

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

August 2018( **33<sup>rd</sup>** )

## Period Results

33<sup>rd</sup> period: March 1, 2018 ~ August 31, 2018

Think bold today for a brighter tomorrow.



GYRE



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# 1. New Medium-term Strategy



G-Bldg. Ginza01

# Previous and Future Activities

## Achievement of medium-term target of 50% urban type ratio in the portfolio

Urban type ratio (on an appraisal value basis)

Aug. 2015 (27<sup>th</sup>) period

Aug. 2018 (33<sup>rd</sup>) period

**35.8%**

**50.5%**

## Sale of non-core assets that are likely to raise risks

Amount of asset sale since the 28<sup>th</sup> period (ended February 2016) (on an appraisal value basis)

**118.8** billion yen

Previous Activities

## Basic Policy

To focus on urban type assets, which are situated at “locations where people gather” and allow JRF to demonstrate its “ability to attract people” given circumstances surrounding its business

### JRF's Viewpoints

Circumstances surrounding retail properties

Demographics

E-commerce

Inbound tourism

Increase in leisure time

Locational advantage

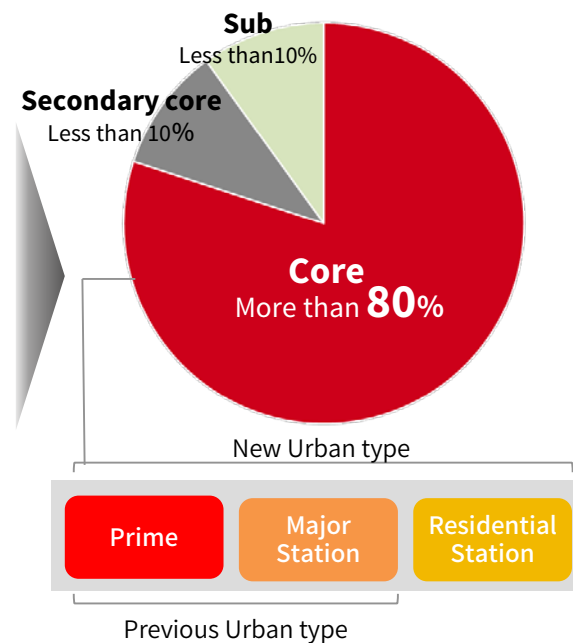
**Location where people gather**



Capability of managing facilities

**Ability to attract people**

### Target Portfolio Mix



Future Activities



## Newly-defined portfolio segments with a focus on urban type assets

### New portfolio segmentation

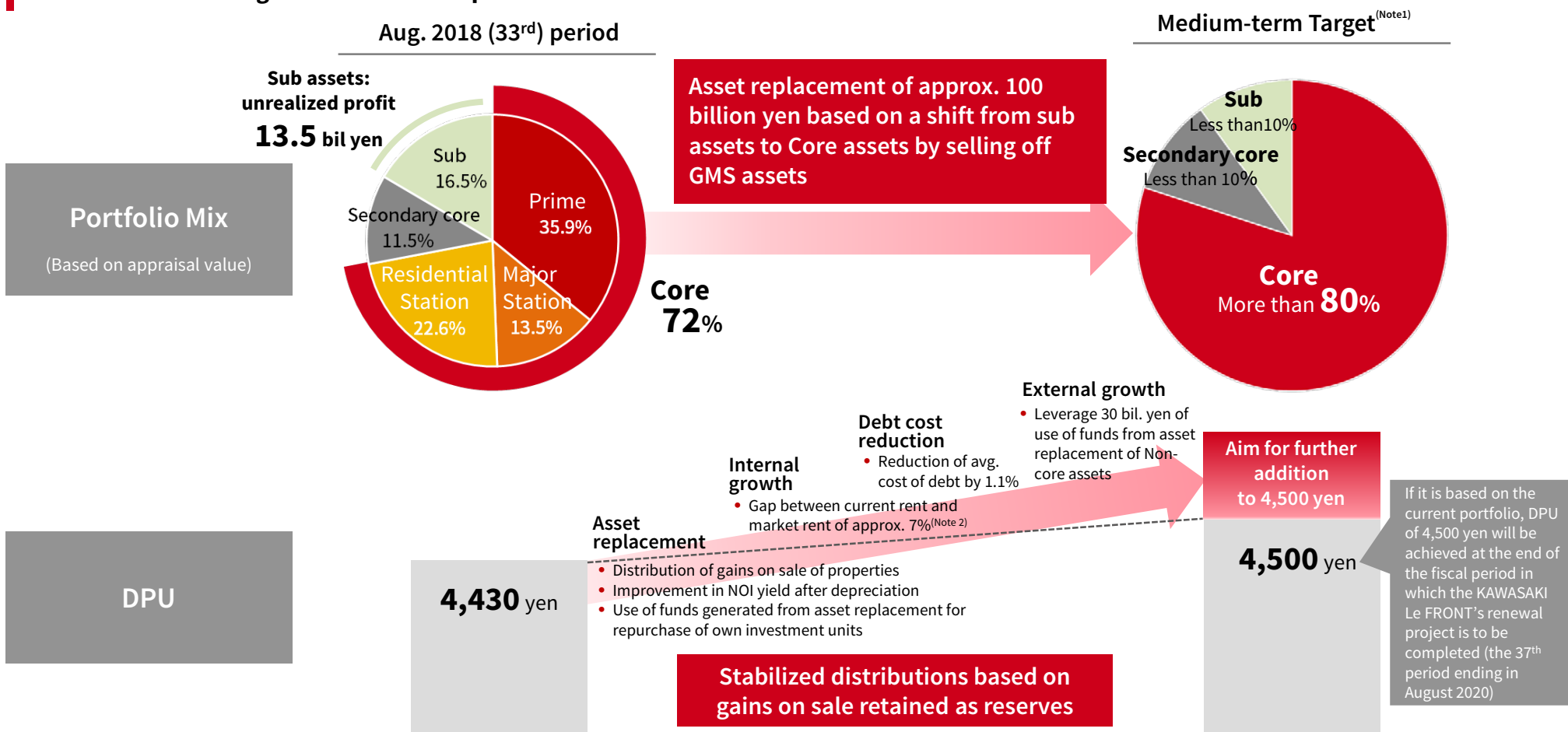
|                | Type                | Representative Properties   | Location and Characteristics   |
|----------------|---------------------|---|--|
| Core           | Prime               | Retail properties located in representative commercial districts in Japan<br><br>G-Bldg. Ginza 01<br>GYRE<br>G-Bldg. Omotesando 01 - 02<br>G-Bldg. Shinsaibashi 01 - 04                 | Greater Tokyo area: Ginza, Omotesando, Shinjuku, Shibuya, Ikebukuro, Kichijoji, Jiyugaoka, Daikanyama, Yokohama<br>Osaka / Nagoya areas: Umeda, Shinsaibashi, Namba, Tennoji, Around Nagoya Station, Sakae<br>Others: Sapporo, Sendai, Kanazawa, Kawaramachi, Sannomiya, Hiroshima, Tenjin   |
|                | Major Station       | Retail properties located around stations used by the large number of passengers<br><br>KAWASAKI Le FRONT<br>Bic Camera Tachikawa<br>G-Bldg. Sangenjaya 01<br>G-Bldg. Akihabara 01 - 02 | <ul style="list-style-type: none"> <li>• Around major terminal stations including Kawasaki, Ueno, Akihabara, Omiya and Kitasenju</li> <li>• Around major stations located in areas surrounding three major cities</li> <li>• City-centers of regional cities if such a city center is built at another location than that around a station</li> </ul>                      |
|                | Residential Station | Retail properties located around stations in highly populated areas<br><br><Large-scale><br>Mozo wonder city<br><Small and medium-scale><br>Summit Store Nakano Minamidai               | <p>Around stations at residential districts within 30 minutes from major business districts</p> <p>&lt;Large-scale&gt; Properties offering excitement which leads to repeated visits</p> <p>&lt;Small and medium-scale&gt; Properties including or adjacent to facilities by which people drop for the purpose of other than consumption (parks, lesson classes, etc.)</p> |
| Secondary core | Suburban Mall       | Large-scale shopping malls located in suburban areas<br><br>AEON MALL Musashi Murayama<br>Oyama Yuen Harvest Walk<br>Nara Family<br>AEON MALL Kobe Kita                                 | <ul style="list-style-type: none"> <li>• Largest stores in the respective suburban areas that include highly populated areas as their markets</li> </ul>   |
|                | Value-added         | High-yield retail properties with room for upside<br><br>Tecc Land Fukuoka Shime Honten<br>m-city Kashiwa   | <ul style="list-style-type: none"> <li>• Although it's not in Core assets, retail properties with high yield after depreciation and upside potential that are likely to be realized</li> </ul>   |
| Sub            | GMS / Roadside      | GMS / Roadside shopping facilities<br><br>AOEN Sendai Nakayama<br>Ito-Yokado Nishikicho<br>Izumisano Shofudai (Land with leasehold interest)<br>MrMax Nagasaki                          | <ul style="list-style-type: none"> <li>• Shopping facilities not located in front of stations, but positioned at locations easy to reach by car</li> <li>• Properties with tenant composition focusing on daily commodities that is likely to be affected by E-commerce</li> <li>• Other retail properties with low-yield</li> </ul>                                       |

# New Medium-term Target

## JRF's Targets

- Building a portfolio with a focus on urban type assets, mainly Core assets
- Continued improvement in unitholders' value

## Portfolio mix and target of distributions per Unit



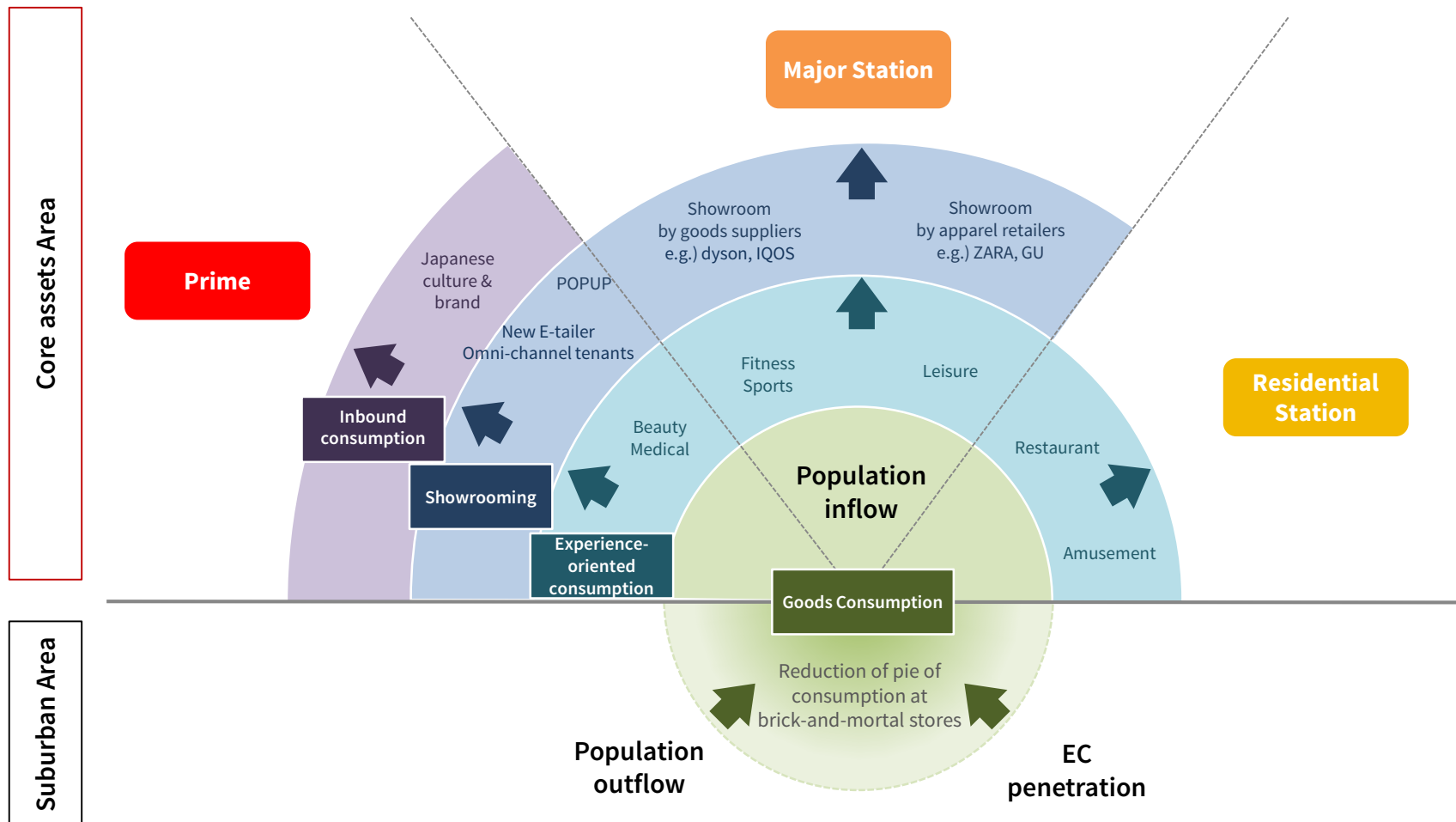
(Note 1) Represented by a medium-term target that is not guaranteed

(Note 2) 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 Core assets (Prime / Major station) that will be renewed after September 2018

## JRF's Vision for Future Retail Facilities (Location where people gather)

The definition of retail facilities is changing from a place to sell things to a place where people gather and enjoy: only Core assets can offer such places

Future retail facilities required to address diversified needs of consumers



# Demonstration of JRF's unique “ability to attract people” fostered based on 16 years' experience

$$\text{Ability to attract people} = \text{Flexible Management to satisfy diversified consumer needs}$$

## 1 Tenant Relations

- Strengthen relationships with existing approx. 1,000 tenants
- Expand the relationships with tenants beyond the commercial category (into hotels, inbound-related, etc.)
- Diversify contract types (POPUP, tenant incubation)

## 2 Creation of Atmosphere

- Produce facilities that impress visitors and make them repeat customers
- Build communities that all contain places to work, learn and play
- Operate properties from a viewpoint of area management

## 3 Promotion

- Enhance capability to hold events that pull in more visitors
- Take measures to make use of IT development
- Raise the profile of JRF itself

### G Bldg. Shinsaibashi 01-02

Attracted tenants that create strong demand among inbound tourists according to area characteristics

< NOI after Depreciation before/after tenant replacement>

|                         | Before          | After           |
|-------------------------|-----------------|-----------------|
| G Bldg. Shinsaibashi 01 | 85 million yen  | 120 million yen |
| G Bldg. Shinsaibashi 02 | 208 million yen | 320 million yen |



### G Bldg. Shibuya 01 & G Bldg. Kyoto Kawaramachi 01

Secured a new type of hotels as tenants to meet needs in the era of “sharing economy”

< NOI after Depreciation before/after tenant replacement>

|                              | Before          | After           |
|------------------------------|-----------------|-----------------|
| G Bldg. Shibuya 01           | 127 million yen | 138 million yen |
| G Bldg. Kyoto Kawaramachi 01 | 84 million yen  | 96 million yen  |



### G Bldg. Jiyugaoka 01 Bldg. B

Newly built a wooden building as a “place to stroll about and stay” on the site of the decrepit facility

< NOI after Depreciation before/after reconstruction>

|                        | Before          | After           |
|------------------------|-----------------|-----------------|
| Acquisition price      | 0.6 billion yen | 0.9 billion yen |
| NOI after depreciation | 20 million yen  | 49 million yen  |



### Oyama Yuen Harvest Walk

Renovated the property to bring joy by creating an uplifting local community based on an open mall

< NOI after Depreciation before/after renewal>

|                        | 2012             | 2016              |
|------------------------|------------------|-------------------|
| Store Sales            | 12.4 billion yen | 14.91 billion yen |
| NOI after depreciation | 173 million yen  | 295 million yen   |



### MARINE & WALK YOKOHAMA

Held yoga sessions and film screening events at the special portside location



### mozo wonder city

Measurement of how customers are pulled in

The number of visitors to and their time spent at a POPUP shop were measured with cameras to visualize qualitative/quantitative data with an aim to support opening shops by new tenants.

### JRF's promotion

Participation in SC Fair

JRF, since 2017, participates a trade show at which commercial businesses and retailers gather, to build a network with SC developers, tenants, and support companies throughout Japan.

Management

Example



# There is a wealth of opportunities to acquire Core assets and it is possible to maintain or improve revenues with asset replacement

## Potential for acquisitions in prime locations

| Prime locations      |   | Number of buildings <sup>(Note)</sup> |
|----------------------|---|---------------------------------------|
| Greater Tokyo areas  | Ginza, Omotesando, Shinjuku, Shibuya, Ikebukuro, Jiyugaoka, Kichijoji, Yokohama           | 4,087                                 |
| Osaka / Nagoya areas | Umeda, Shinsaibashi, Namba, Tennoji, Kawaramachi, Sannomiya, Around Nagoya Station, Sakae | 4,831                                 |
| Other areas          | Sapporo, Sendai, Kanazawa, Hiroshima, Tenjin  | 2,636                                 |
| Total                |   | 11,554                                |

(Note) The number of building within and around key commercial districts in prime areas counted by the Asset Manager, based on Zenrin Residential Map

- There are ample opportunities for acquisition even if compared with the office sector in which more players are fighting for acquisition of properties, counting approx. 8,600<sup>(Note)</sup> in three metropolitan cities and other major cities

## Strategy of asset replacement

### Sub assets to be replaced

Greater burden of depreciation as many of these properties located in suburban areas and the building ratio to value tends to be higher

NOI yield<sup>(Note)</sup> **4.7%**

NOI yield after depreciation<sup>(Note)</sup> **3.3%**

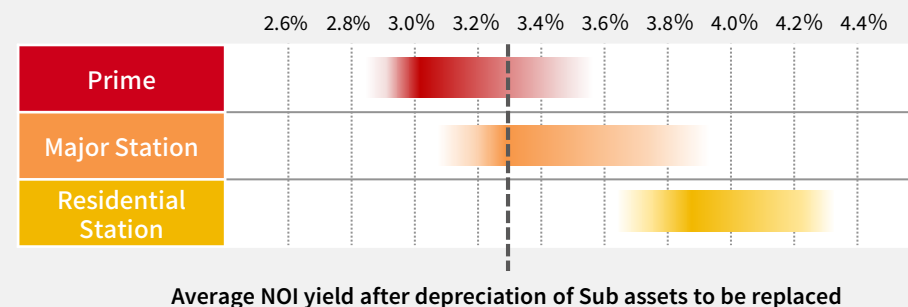


### Core assets

Smaller burden of depreciation as the land and building ratios tend to be higher and lower, respectively, because of the locational advantages

- Asset replacement is intended to maintain or improve a level of NOI yield after depreciation with a difference in amounts of depreciation burden

### Levels of NOI yield after depreciation of newly-acquired Core assets



(Note) According to Japan Real Estate Institute

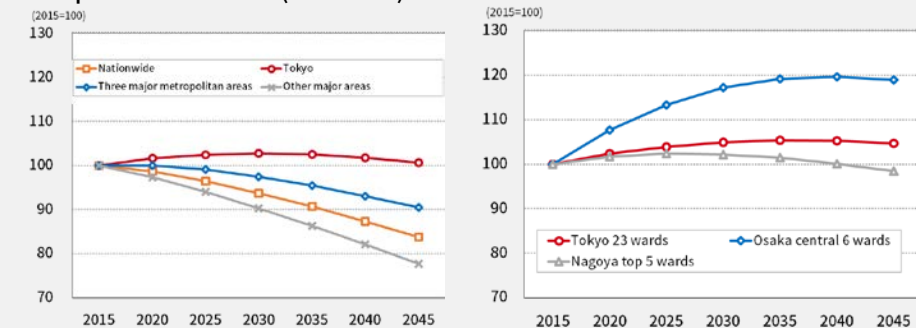
(Note) Calculated by dividing NOI/NOI after depreciation of assets to be replaced for the periods ended February 2018 (32<sup>nd</sup> period) and August 2018 (33<sup>rd</sup> period) based on the actual value or appraisal NOI (as of the end of August 2018), by the total acquisition prices

# Circumstances Surrounding Retail Properties

## 1. Demographics

- Decline in the total population of Japan is forecast from 2015
- The population in Tokyo is expected to increase slightly even as of 2045
- The pace of population decline in the three metropolitan cities is expected to be slower than the national average
- Population increase is expected in urban areas of three metropolitan cities

### Population since 2015 (2015 = 100)



(Source) National Institute of Population and Social Security Research

## 2. Inbound tourism

- The number of Japan-bound tourists has been ever-increasing
- Japan shows greater increase in inbound tourists than those of other major countries
- Inbound tourism consumption amounts to 4.4 trillion yen in 2017, while the EC market in Japan is 8.6 trillion yen in size
- Most of the markets of inbound tourism consumption concentrate on urban areas

### Number of Japan-bound tourists and their consumption

| Year | Tourists     | Consumption      |
|------|--------------|------------------|
| 2011 | 6.2 million  | 1.0 trillion yen |
| 2017 | 28.7 million | 4.4 trillion yen |

(Source) JNTO

### Number of inbound tourists (2017)

| No | Country  | Tourists     |
|----|----------|--------------|
| 1  | France   | 86.9 million |
| 2  | Spain    | 81.8 million |
| 3  | US       | 75.9 million |
| 4  | China    | 60.7 million |
| 5  | Italy    | 58.3 million |
| 10 | Thailand | 35.4 million |
| 12 | Japan    | 28.7 million |

## 3. E-commerce

- The EC penetration rate in Japan is lower than global levels due to its commercial convenience
- Meanwhile, the penetration rate will grow further
- Commodities, the quality of which are consistent, are likely to be affected by the popularization of EC
- Suburban areas are more likely to be impacted because of inconvenience in shopping
- Needs for making retail facilities showrooms will increase along with the penetration of EC

### EC penetration rate by country (2017)

| Country | EC penetration |
|---------|----------------|
| Japan   | 5.8%           |
| US      | 9.1%           |
| UK      | 15.7%          |
| China   | 20.4%          |

### EC penetration rate forecast in Japan

| Year  | EC penetration forecast |
|-------|-------------------------|
| 2025E | 9.2%                    |
| 2035E | 13.4%                   |

(Source) NLI Research Institute

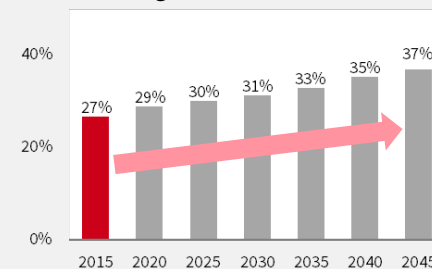
(Source) Ministry of Economy, Trade and Industry, United States Department of Commerce, Euromonitor International

## 4. Increase in leisure time

### Declining birthrate and aging society

- In 2045, people aged 65 or older will account for about 37% of the total population of Japan
- There are growing needs from retired workers to spare time to engage in hobbies, etc.
- Needs for healthcare and gym facilities are also increasing based on the growing health-consciousness

### Ratio of age 65 or older since 2015



(Source) National Institute of Population and Social Security Research

### Reforms of working practices

- Businesspersons now have longer leisure time because of regulated overtime work hours and rising usage rates of paid leave
- More people want to spare time at places near business districts, around terminal stations and surrounding residential areas

## 2. Implementation of Business Strategy



Bic Camera Tachikawa

## Highlights of Aug. 2018 (33rd) period

**1 Acquisition strategy**

- Sale of two GMS properties to complete the disposal of non-core assets
- Acquisition of two properties with locational advantages as Core/Secondary core assets

**2 Asset management strategy**

- Rent revision with 8.1% increase in Core assets (Prime/Major Station)
- Renewal of KAWASAKI Le FRONT with more than 95% tenants determined including an aquarium as main attraction
- Completion of the renewal of Abiko Shopping Plaza
- Ongoing renewal projects at mozo wonder city and GYRE

**3 ESG management**

- Issuance of the Green Bond, first among J-REITs
- Selection as “Sector Leader” of retail sector in Asia at GRESB Real Estate Assessment
- Largest share in the FY 2017 GPIF portfolio among J-REITs

**4 Financial strategy**

- Reduction of debt cost (average interest rates: 1.55% → 0.42%) by refinancing of the entire borrowings totaled at 33.3billion yen

## Financial highlights

|        |  |   |
|--------|--|---|
| Asset  | Asset size<br>(based on total acquisition price)   | 98 properties<br><b>888.6</b> billion yen   |
|        | Gain on sale   | <b>149.1</b> billion yen  |
|        | Core asset ratio<br>(based on appraisal value)   | <b>72.0</b> %   |
| Debt   | LTV ratio<br>(based on book value, including the tenant leasehold and security deposits) | <b>49.9</b> %   |
|        | Average debt cost  | <b>1.06</b> %   |
|        | Average loan term remaining maturity   | <b>4.6</b> years  |
| Equity | NAV per unit   | <b>222,400</b> yen<br>(Compared to 32 <sup>nd</sup> actual +5,400 yen)  |
|        | Distribution per unit  | <div>Aug. 2018 (33<sup>rd</sup>) period <b>4,430</b> yen Actual</div> <div>Feb. 2019 (34<sup>th</sup>) period <b>4,430</b> yen Forecast</div> <div>Aug. 2019 (35<sup>th</sup>) period <b>4,430</b> yen Forecast</div> |

# Completion of sale of Non-core assets with disposal of 2 GMS properties, to replace them with Core/Secondary core assets

Asset replacement during the end of period ended August 2018 (33rd period)

## Disposition

### Non-core assets

| Number of property | Disposition price  | Gain on sale of property | NOI yield (after depreciation) |
|--------------------|--------------------|--------------------------|--------------------------------|
| 2                  | 19,570 million yen | 602 million yen          | 4.3%                           |

#### Ito-Yokado Kawasaki

Non-core



- GMS-type asset with risks of deterioration in the competitive climate
- Lower NOI yield after depreciation than the portfolio average, with limited upsides
- Potential impacts of the renewal of KAWASAKI Le FRONT

#### AEON Tobata Shopping Center

Non-core



- GMS-type asset that will certainly be involved in fiercer competition because of the defined plan of new opening of a large-scale retail facilities in the neighborhood
- Location within an area of aging population, facing risks of acceleration of falling population

## Acquisition

### Core/Secondary core assets

| Number of property | Acquisition price | NOI yield (after depreciation) |
|--------------------|-------------------|--------------------------------|
| 2                  | 5,705 million yen | 5.1%                           |

#### G-Bldg. Abeno 01 (Annex building) (Land with leasehold interest)

Core



- Land with leasehold interest adjacent to the land held by JRF, near Tennoji Station
- Potential for a unified redevelopment project in the future

| Acquisition price | NOI yield (after depreciation) |
|-------------------|--------------------------------|
| 185 million yen   | 5.1%                           |

#### m-city Kashiwa

Secondary core



- Location in a highly-populated area which more people are flowing in
- Retail facilities that cater to day-to-day needs with highly appealing tenants
- Room for upside after the end of the master lease agreement

| Acquisition price | NOI yield (after depreciation) |
|-------------------|--------------------------------|
| 5,520 million yen | 5.0%                           |

## Effects of asset replacement

### Rise in NOI yield after depreciation

| Disposition<br>2 properties | Acquisition<br>2 properties |
|-----------------------------|-----------------------------|
| 4.3%                        | 5.1%                        |

+0.8%

### Lowered share of GMS type assets

| Feb. 28, 2018<br>(end of 32 <sup>nd</sup> FP) | After acquisition of<br>m-city Kashiwa |
|---|--|
| 12.4%   | 10.3%                                  |

-2.1%

### Increase in unrealized gains

| Disposition<br>2 properties | Acquisition<br>2 properties |
|-----------------------------|-----------------------------|
| 305 million yen             | 476 million yen             |

+171 million yen



# Continue to achieve rent increase by leveraging our locational advantage

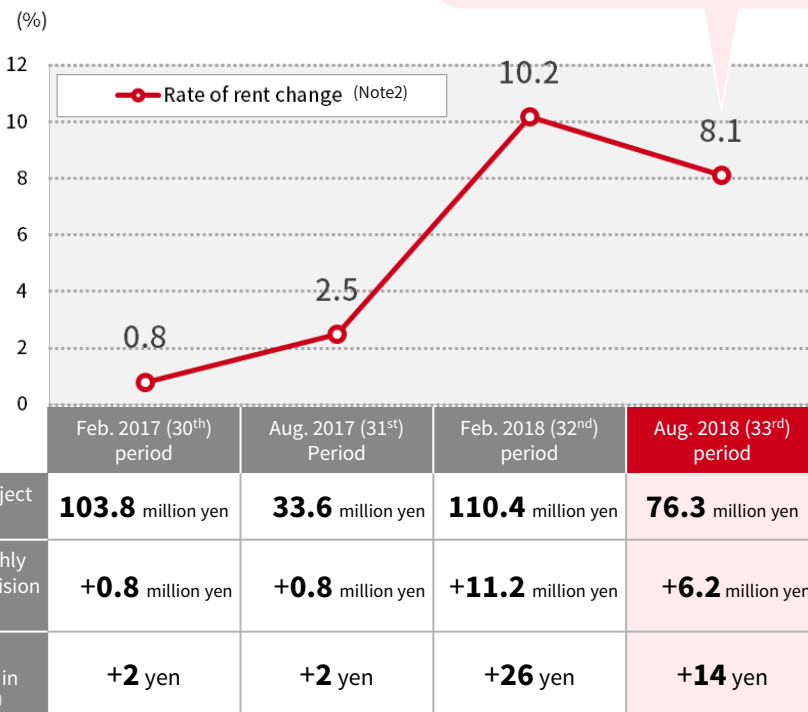
## Summary of rent revisions

Rent gap of Core assets  
(Prime/Major Station) (Note1)

**7.0%**

### Example of rent increase

|                         |       |
|-------------------------|-------|
| G-Bldg. Ginza 01        | 24.1% |
| G-Bldg. Jingumae 02     | 20.0% |
| G-Bldg. Takadanobaba 01 | 4.5%  |



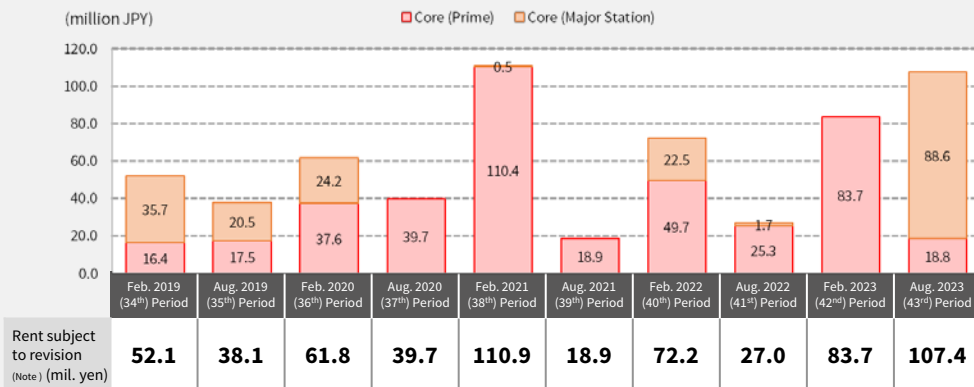
(Note1) The gap between the monthly rent of existing tenants and the market rent price specified in the appraisal reports. The monthly rents subjects are fixed-term leasing contracts in Core assets (Prime / Major station) that will be renewed after September 2018.

(Note2) 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)

(Note3) Represented by the aggregated rents for blocks of the fixed-term leasing contracts, which will expire and renew in Core assets.

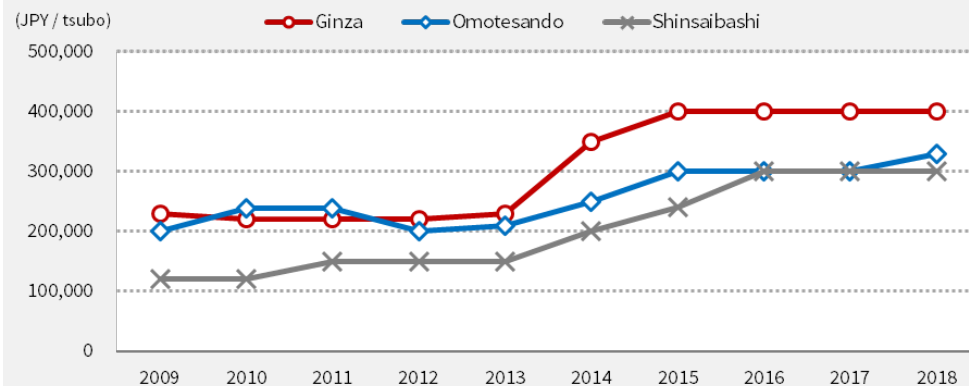
(Note4) Calculated by the difference of monthly rent before revision and monthly rent after revision converted to semi-annualized basis and divided it by the issued investment units as of Aug. 2018 (33rd) period

## Contract expirations in the next 5 years



(Note) Represented by the aggregated rents for blocks of the fixed-term leasing contracts, which will expire and renew in Core assets (Prime/Major Station)

## Change in highest rents in major commercial districts



(Note) A tsubo is about 3.3 square meters

(Source) CBRE "Retail Market Information"

## Flexible measures according to types of assets and area characteristics

### Leasing activities based on relationships with tenants

#### Relationship with RIZAP



RIZAP is a workout gym chain that is famous for its slogan, "Fully committed to meet goals," operating 124 fitness centers throughout Japan as of September 30, 2018, and recently launched management of golf schools and English conversation schools

Attracted first RIZAP

G-Bldg. Jingumae 03



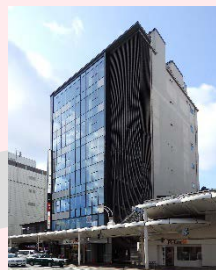
Attracted first RIZAP  
attached to a golf school

G-Bldg. Minami Ikebukuro 01



Succeeded to attract  
RIZAP directly

G-Bldg. Kyoto Kawaramachi 01



2012

2016

2018



### Creation of spaces with unique atmosphere

#### Facility branding at GYRE



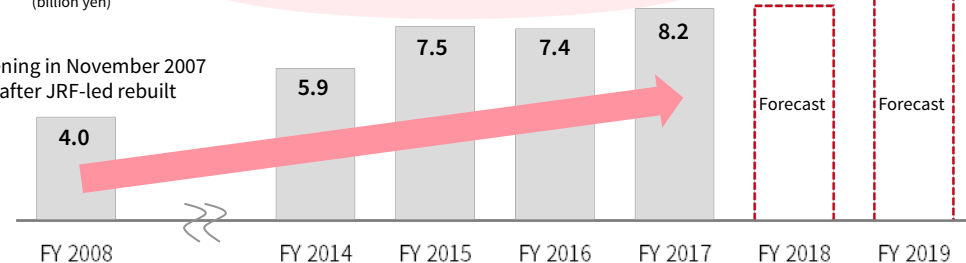
GYRE is a landmark retail property located at Omotesando, characterized by high-impact appearance and unique tenants



<Trend of sales>  
(billion yen)

Sales increase more than double the level at the opening,  
partly backed by inbound tourism consumption

Opening in November 2007  
after JRF-led rebuilt



Pursuing its uniqueness by proactive tenant leasing

Strengthening

Highly-distinctive tenant composition containing hard-to-find brand stores from a global perspective

#### Achievement of tenant attraction in GYRE

- 2009 Trading Museum Comme des Garçon (3 stores in the world)
- 2012 F.I.L Indigo Camping Trailer (The only store in the world)
- 2014 Delvaux (6 stores under the direct management in Japan)
- 2015 AMI Alexandre Mattiussi (The only store under the direct management in Japan)
- 2014 visvim (The only store in the world)
- 2018 CDG (2 stores in the world)

B1F Oct. 2018 NEW OPEN

Attraction of one of the largest stores of the Danish interior product brand "HAY," as its first directly-operated store in Japan

**HAY**

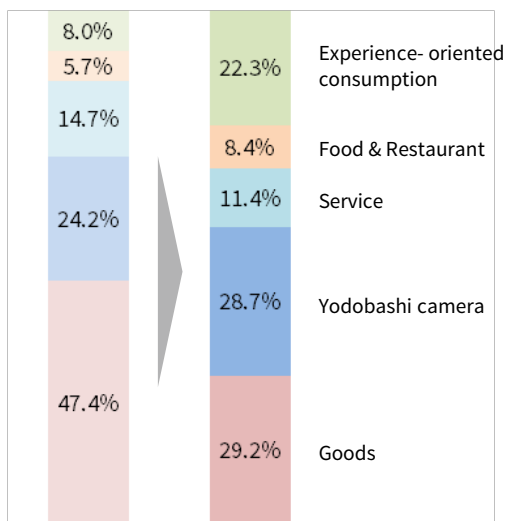


4F Autumn 2019 NEW OPEN (scheduled)

Renewal of the entire restaurant floor and tenant replacement

# Confirmed more than 95% tenant opening intention and decided on aquarium as the main attraction

## MD after renewal



Before renewal After renewal (Note) Based on contract area

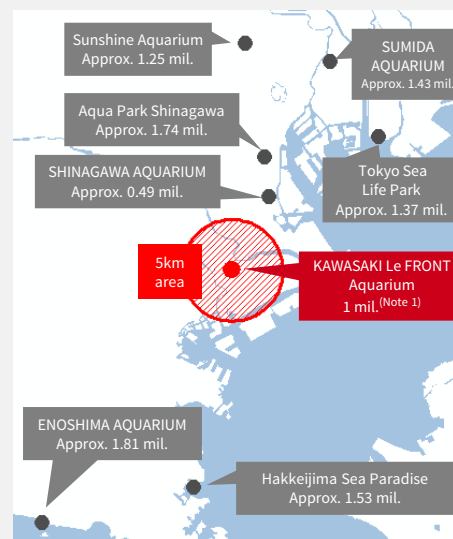
|     |                                     |                                     |         |
|-----|-------------------------------------|-------------------------------------|---------|
| RF  | Futsal facility                     |                                     |         |
| 10F | Aquarium                            | Amusement                           | Service |
| 9F  |                                     | Healthcare, Tutoring school         |         |
| 8F  | Sports                              | Service                             |         |
| 7F  | Fashion, Sports, Hobbies and others |                                     |         |
| 6F  | Kids and Babies                     |                                     |         |
| 5F  | Fashion                             |                                     |         |
| 4F  |                                     | Interior / Variety goods            |         |
| 3F  |                                     | Variety goods                       |         |
| 2F  | Yodobashi                           | Food court, Café, Convenience store |         |
| 1F  | Camera                              | Super market, Café                  |         |
| B1  |                                     |                                     |         |
| B2  | Parking lot                         |                                     |         |

## Attraction of aquarium

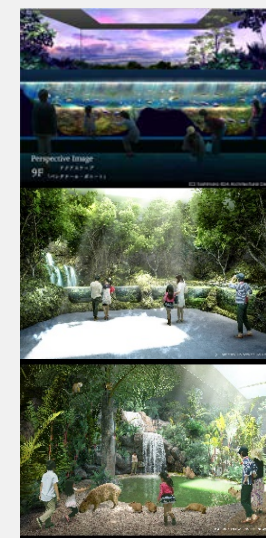
### Aim for significant visitor expansion

- Expect 1 million annual visitors (more than 10% of entire visitors)<sup>(Note 1)</sup>
- Excellent attractiveness compared to other entertainment contents (Reference) Movie theatre 0.6million, planetarium 0.1 million<sup>(Note 2)</sup>
- Expect customers from south and west since Kawasaki area will be the only area with an aquarium

### <MAP of aquarium and visitors<sup>(Note 3)</sup>>



### <Image of aquarium<sup>(Note 4)</sup>>



## Experience-oriented consumption

- Attract experience-oriented tenant such as aquarium and amusement facility on upper floor
- Open new play zone on kids/baby floor
- Aim to promote customers to shop around by increasing visitors and shower effect

## Food & Restaurant

- Attract "LIFE", one of the largest supermarket in Kawasaki Station east exit
- Attract food courts, cafés, and restaurants

## Service

- As it is located right in front of the station, attract healthcare facilities and tutoring schools

## Yodobashi camera

- As it has good customer attraction, extend floor space as the flagship store and increase product line

## Goods

- Mainly attract large-size stores of Furniture, Outdoor, and Sports, which can attract more customers

(Note 1) Estimated figure of annual average visitors calculated by tenant

(Note 2) Based on an estimate formulated from properties held by JRF for movie theater, based on hearing survey by asset management company for planetarium

(Note 3) Figures under each aquarium is the actual annual visitors for 2016 (surveyed by asset management company)

(Note 4) These are indicative renderings and may differ from the actual development

(Note 5) Already concluded a (suspensive conditional) fixed-term lease agreement between the aquarium as of today, and is to be effective upon conclusion of the suspensive condition

# Asset Management Strategy (3) KAWASAKI Le FRONT Renewal Progress (2/2)

## Impact of renewal

- Executed renewal after Marui vacation as planned at acquisition timing, and maintained a high NOI yield
- Total expenditure is within the unrealized gain as of acquisition (5.2 billion yen)
- Prevent rent downside risk by keeping fixed rent ratio at more than 90%

| Total expenditure   | NOI yeild                                    | Fixed rent ratio <sup>(note)</sup>            |
|---|--|---|
| <b>5.1 bil. yen</b><br>(Unrealized gain of 5.2 bil. yen at acquisition) | <b>6.2%</b><br>(Stable period after renewal) | <b>92.0%</b><br>(Stable period after renewal) |

(Note) Ratio of total of fixed rent, minimum guaranteed rent and common maintenance fee, accounted for the entire tenant total rent

- Introduced sales-based rents in more than 60% of tenant contracts for upside in rent
- Total sales and NOI after renewal is reasonably calculated without the effects of the aquarium

|                            | At acquisition       | Stable period after renewal |
|----------------------------|----------------------|-----------------------------|
| <b>Sales</b>               | <b>34.3 bil. yen</b> | <b>34.4 bil. yen</b>        |
| <b>Number of customers</b> | <b>7,200,000</b>     | <b>8,730,000</b>            |
| <b>NOI</b>                 | <b>1.9 bil. yen</b>  | <b>1.9 bil. yen</b>         |
| <b>NOI yield</b>           | <b>6.2%</b>          | <b>6.2%</b>                 |
| <b>Appraisal CR</b>        | <b>5.0%</b>          | <b>4.5%</b> (Note)          |

| Upside potential by sales increase |               |               |
|------------------------------------|---------------|---------------|
| Est. Sales                         | Change in NOI | Change in DPU |
| 105%                               | +29 mil. yen  | +6 yen        |
| 110%                               | +59 mil. yen  | +11 yen       |
| 120%                               | +123 mil. yen | +23 yen       |

(Note) Comparing with stable period after renewal

(Note) Direct capitalization rate indicated on appraisal report as of the end of August 2018

## Project schedule

- Open aquarium earlier than initially assumed and expect completion of all renewals in fiscal period ending August 2020 (37th period)

|  | Feb. 2019<br>(34 <sup>th</sup> FP) | Aug. 2019<br>(35 <sup>th</sup> FP) | Feb. 2020<br>(36 <sup>th</sup> FP) | Aug. 2020<br>(37 <sup>th</sup> FP) |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>Open floors</b>                               | -                                  | Lower floors                       | Upper floors                       | Aquarium                           |
| <b>Prospective occ. rate <sup>(Note 1)</sup></b> | <b>63%</b>                         | <b>71%</b>                         | <b>90%</b>                         | <b>96%</b>                         |
| <b>Temporary expense <sup>(Note 2)</sup></b>     | <b>630 mil. yen</b>                | <b>1,420 mil. yen</b>              | <b>400-500 mil. yen</b>            | <b>50-100 mil. yen</b>             |

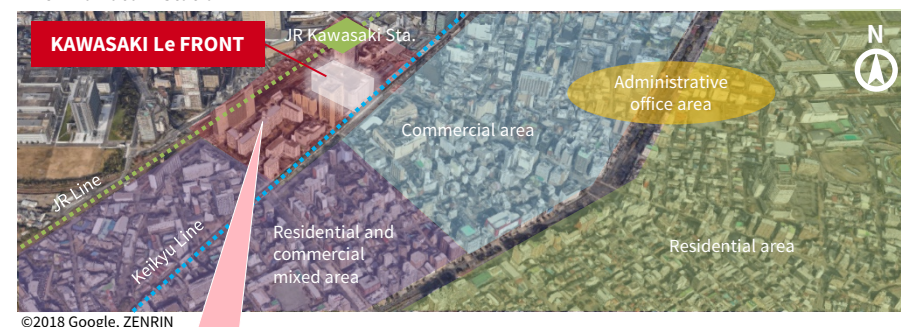
(Note 1) Calculated by estimated rental revenue divided by estimated rental revenue after renewal

(Note 2) Total of repair costs due to renewal, loss on disposal of fixed assets, and relocation compensation costs, etc.

\* The figures on this page are represented by the estimates based on the assumptions of renewal as of today

## Location

- Market population is 2 times larger than large-size retail facility standards of 0.5 million in 5km area
- JR Kawasaki Station is a large terminal station which serves the 11th largest number of passengers in JR East Japan
- Neighboring office, hospital, and residence is connected on the 2nd floor providing direct access to JR Kawasaki Station



## Population of market area

| Market area | Population       | Change <sup>(Note)</sup> |
|-------------|------------------|--------------------------|
| 1km area    | <b>63,000</b>    | <b>+6.1%</b>             |
| 3km area    | <b>460,000</b>   | <b>+4.9%</b>             |
| 5km area    | <b>1,006,000</b> | <b>+3.9%</b>             |

(Note) Population change based on Census in 2010 and 2015

## Comparison of passengers

| Stations         | Passengers     |
|------------------|----------------|
| JR Kawasaki Sta. | <b>424,000</b> |
| JR Ueno Sta.     | <b>375,000</b> |
| JR Nagoya Sta.   | <b>418,000</b> |
| JR Kyoto Sta.    | <b>401,000</b> |

(Source) JR East, JR West, JR Central



## Our continued efforts on ESG are highly appreciated

### External party evaluations



**1<sup>st</sup>**

Retail sector in Asia

- JRF was selected as “Sector Leader” of Retail sector in Asia by GRESB, receiving five stars in GRESB rating (five-star scale) in 2018
- JRF was also designated as the highest rank “Green Star” for four consecutive years from 2014



**1<sup>st</sup>**

Among J-REITs

- JRF acquired A rating in 2018, the highest rating among J-REITs
- JRF was upgraded by one rank from 2017

### Inclusion in ESG indices as constituent



**1<sup>st</sup>**

Constituent among J-REITs

- JRF continues to be included from 2017
- 6 J-REITs are now selected as constituents
- GPIF announced that its passive management would track ESG indices including this index



**2<sup>nd</sup>**

Among all constituents

- It is a new index created on June 6, 2018 at the Euronext, consisted of top 30 global REITs in the GRESB score ranking
- JRF accounts for the second largest composition ratio among all constituents

### Topic for fiscal period ended in August 2018 (33rd period)

#### Balance of GPIF's Unitholding

**1<sup>st</sup>**

Among holding J-REITs

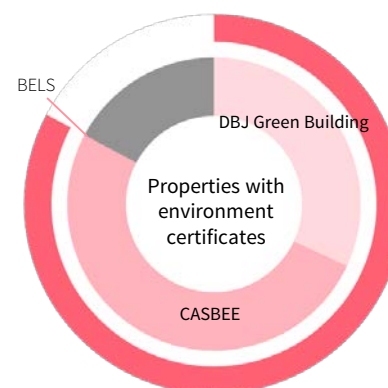
- The market capitalization as of March 31, 2017: 5.07 billion yen
- JRF becomes a J-REIT claiming the largest share in the GPIF portfolio, rising from the 4<sup>th</sup> as of March 31, 2016
- The total amount of market capitalization in J-REIT as of March 31, 2017: 68.48 billion yen

#### Green Bond Issuance

**1<sup>st</sup> J-REIT**

- JRF has become the first-ever issuer of green bonds in the J-REIT sector, issuing the 5-year bond of 8.0 billion yen
- Its coupon rate 0.210% is at the lowest level for 5-year bond among investment corporation bonds
- Inquiries are received from a variety of the media

### Environmental certification



|                               |               |
|-------------------------------|---------------|
| DBJ Green Building            | 20 properties |
| CASBEE real estate evaluation | 13 properties |
| BELS certification            | 1 properties  |

Ratio of properties that acquired environmental certificates

**82.8%**



#### Objectives

Maintain 80% or more properties with environment Certificates

(Note) Total floor area basis  
(excluding land with leasehold interest assets)



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

## Recent refinance activities

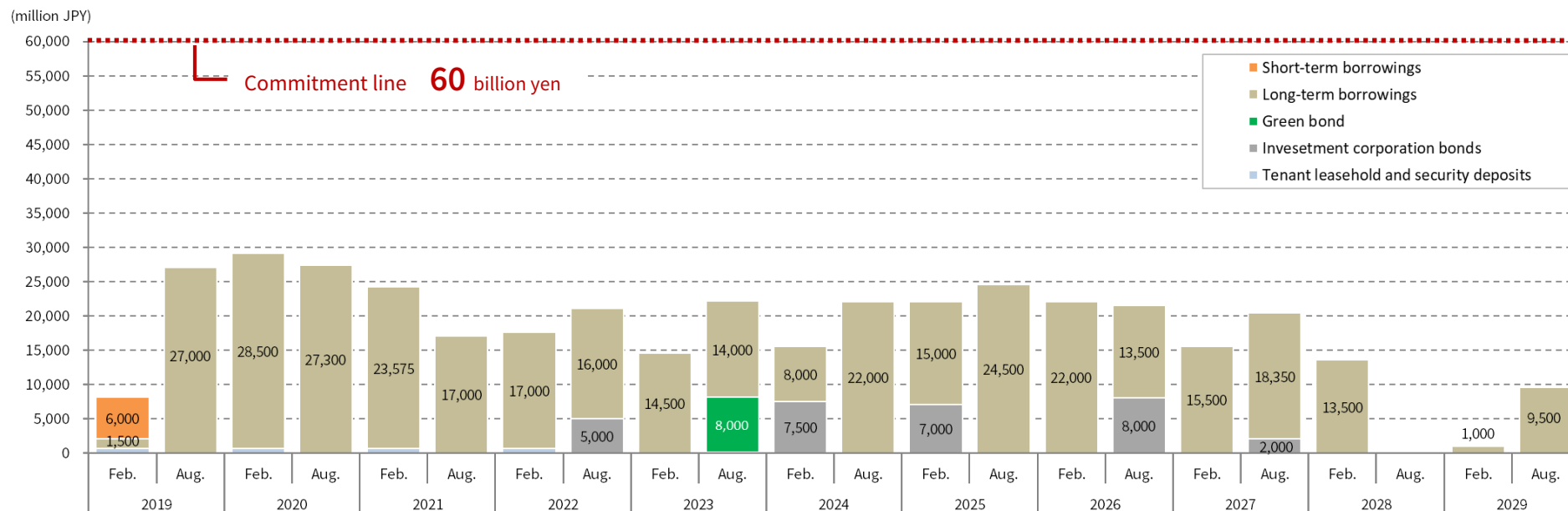
< Refinancing activities from Jul. 2018 to Sep. 2018 >

| Debt matured   |                    | Refinance debt |                    |
|----------------|--------------------|----------------|--------------------|
| Amount         | 33,366 million yen | Amount         | 33,300 million yen |
| Avg. term      | 8.0 years          | Avg. term      | 5.2 years          |
| Avg. debt cost | 1.55%              | Avg. debt cost | 0.42%              |

## Borrowings maturing within 5 periods (Long-term borrowings only)

|                         | Feb.2019 period<br>(34 <sup>th</sup> ) | Aug.2019 period<br>(35 <sup>th</sup> ) | Feb.2020 period<br>(36 <sup>th</sup> ) | Aug.2020 period<br>(37 <sup>th</sup> ) | Feb.2021 period<br>(38 <sup>th</sup> ) | Total     |
|-------------------------|--|--|--|--|--|-----------|
| Amount<br>(million yen) | 1,500                                  | 27,000                                 | 28,500                                 | 27,300                                 | 23,575                                 | 107,875   |
| Avg. term               | 6.0 years                              | 7.9 years                              | 6.6 years                              | 7.0 years                              | 7.9 years                              | 7.3 years |
| Avg. debt cost          | 0.74 %                                 | 1.62%                                  | 1.12%                                  | 0.88%                                  | 0.91%                                  | 1.13%     |

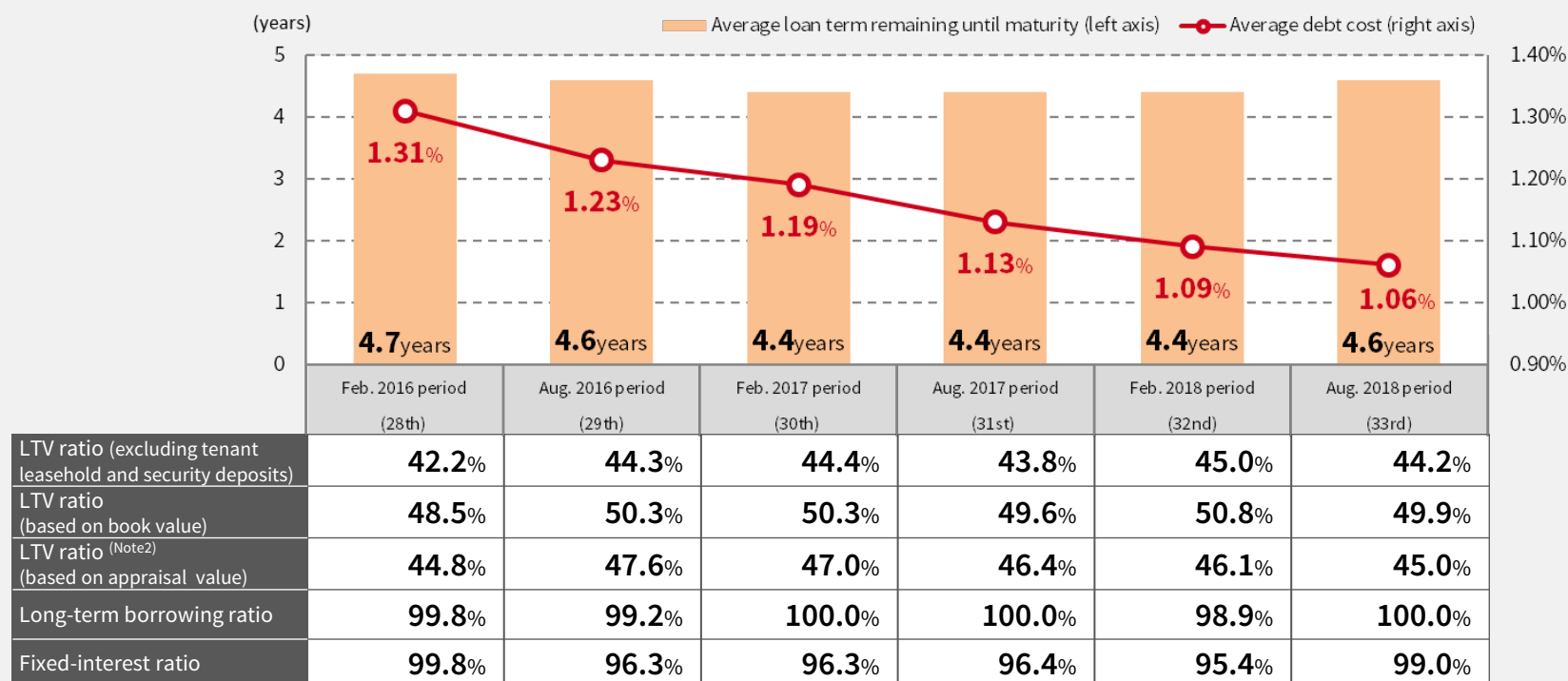
## Maturity ladder (as of the end of Sep. 2018)



## LTV management for stable financial base

### Trend of financial indices <sup>(Note1)</sup>

- LTV (including tenant leasehold and security deposits) benchmark is from 45% to 55%
- Aim to strengthen stable financial base while carefully focusing on debt cost control
- The ratio of fixed interest rate debt needs to be 90% or higher



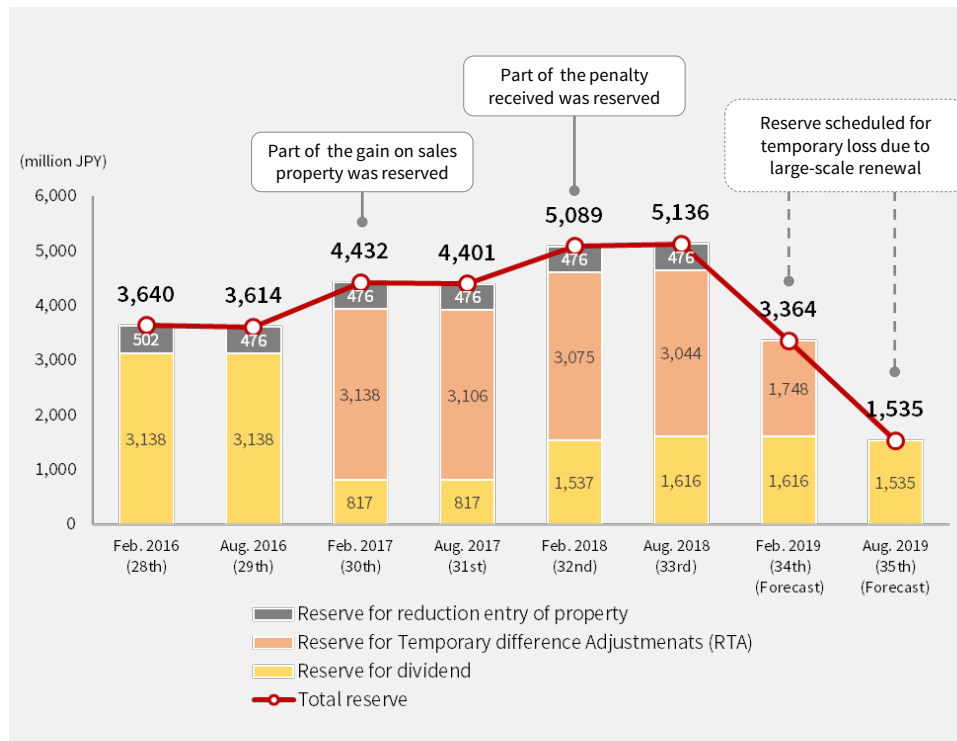
(Note1) Calculation including the tenant leasehold and security deposits except LTV ratio

(Note2) Calculated by the total amount of interest bearing debt, tenant leasehold and security deposits divided by the total amount of appraisal value of each period

## Use of reserve for stable distributions

### Transition in reserve balance (Note)

- Reserves are accumulated from negative goodwill due to merger and gain on property sales through asset replacement, etc.
- Addition and reversal of reserves are implemented according to execution of various measures



(Note) Balance of reserve after approval of distributions at the JRF's Board of Directors meeting for each period

### Systems that enables JRF to accumulate reserves

#### Tax loss carryforwards

- Tax losses incurred when assets succeeded from LaSalle Japan Investment Corporation in association with the merger with it in March 2010, have been held as tax loss carryforwards
- With such tax loss carryforwards, JRF has avoided the burden of income taxes

| Balance of tax loss carryforwards (Note) | Effective period |
|--|------------------|
| 6.6 billion yen                          | Feb. 28, 2020    |

(Note) As of "Financial Statements pertaining to allotment of funds" approval for fiscal period ended August 2018 (33rd period)

#### Reserve for reduction entry of property

- Based on the "Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc. in 2009 and 2010" stipulated in Article 66, Paragraph 2 of the Act on Special Measures Concerning Taxation, up to 80% of gains on sale of land are accumulated as reserves for reduction for reduction entry

| Possible amount of reserve for reduction entry (Note 1) | Effective period |
|---|------------------|
| 29 billion yen  | Dec. 31, 2020    |

(Note1) As of "Financial Statements pertaining to allotment of funds" approval for fiscal period ended August 2018 (33rd period)

(Note2) Limit of each reserve for reduction entry within the range in which corporate tax etc. is not impose, is 90% of the profit available for distribution profit

**JRF will ensure delivery of stable distribution by**  
 ➤ **accumulating reserves with unrealized profit generated through continued asset replacement**

# Increase in unrealized gains of entire portfolio to approx. 150 billion yen

## Breakdown of appraisal value

|  |                     | Feb. 2018 (32nd) period |                     |                               | Aug. 2018 (33rd) period |                     |                               | Change of Unrealized profits and losses |
|--|---------------------|-------------------------|---------------------|-------------------------------|-------------------------|---------------------|-------------------------------|---|
|  |                     | Number of properties    | Appraisal value     | Unrealized profits and losses | Number of properties    | Appraisal value     | Unrealized profits and losses |   |
|  | Prime               | 43 properties           | 344,810 million yen | 51,478 million yen            | 43 properties           | 353,480 million yen | 60,572 million yen            | 9,094 million yen                       |
|  | Major Station       | 13 properties           | 132,380 million yen | 24,139 million yen            | 13 properties           | 133,170 million yen | 25,288 million yen            | 1,149 million yen                       |
|  | Residential Station | 20 properties           | 220,610 million yen | 31,273 million yen            | 20 properties           | 222,650 million yen | 34,364 million yen            | 3,091 million yen                       |
|  | Core                | 76 properties           | 697,800 million yen | 106,889 million yen           | 76 properties           | 709,300 million yen | 120,223 million yen           | 13,334 million yen                      |
|  | Secondary core      | 6 properties            | 112,940 million yen | 14,164 million yen            | 6 properties            | 113,000 million yen | 15,373 million yen            | 1,208 million yen                       |
|  | Sub                 | 18 properties           | 183,490 million yen | 14,135 million yen            | 16 properties           | 162,930 million yen | 13,568 million yen            | - 567 million yen                       |
|  | Total               | 100 properties          | 994,230 million yen | 135,189 million yen           | 98 properties           | 985,230 million yen | 149,164 million yen           | 13,976 million yen                      |

(Note) Two non-core assets sold during the period ended February 2018 (32nd period) is included in the Sub category

## Breakdown of Cap Rates

|  |                     | Feb. 2018 (32nd) period | Aug. 2018 (33rd) period | Change        |
|--|---------------------|-------------------------|-------------------------|---------------|
|  | Prime               | 3.42 %                  | 3.34 %                  | - 0.08 points |
|  | Major Station       | 4.52 %                  | 4.47 %                  | - 0.05 points |
|  | Residential Station | 5.07 %                  | 5.01 %                  | - 0.06 points |
|  | Core                | 4.16 %                  | 4.09 %                  | - 0.07 points |
|  | Secondary core      | 5.47 %                  | 5.43 %                  | - 0.04 points |
|  | Sub                 | 5.05 %                  | 4.94 %                  | - 0.10 points |
|  | Total               | 4.48 %                  | 4.39 %                  | - 0.09 points |

(Note) Weighted average of direct cap rates at appraisal value (excluding properties to which the direct capitalization method is not applied)

## Changes in Cap Rates by property (vs 32nd period)

|      | Feb. 2018 (32nd) period | Aug. 2018 (33rd) period |
|------|-------------------------|-------------------------|
| Down | 41 properties           | 50 properties           |
| Same | 45 properties           | 40 properties           |
| Up   | 2 properties            | 1 property              |

(Note) Excluding properties to which the direct capitalization method is not applied or those acquired during the respective fiscal periods with no appraisal value for the previous fiscal period obtained

### 3. Financial Results and Forecasts

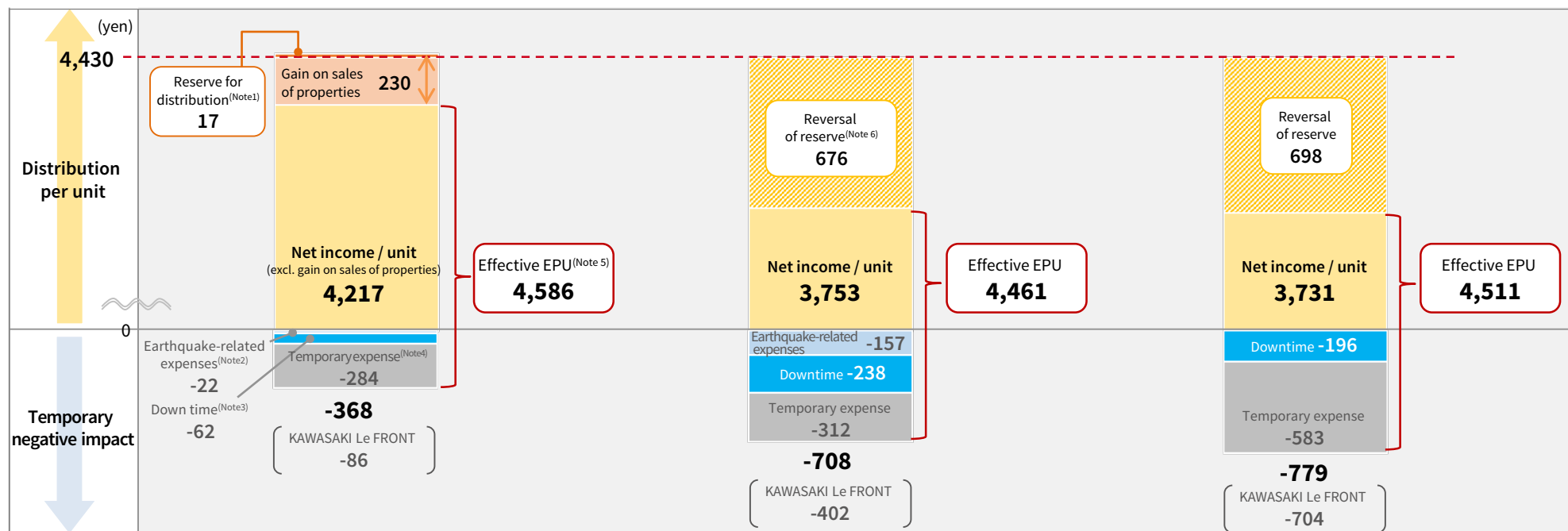


mozo wonder city



# Summary of Distribution per Unit

Distribution summary for Aug. 2018 period (33<sup>rd</sup>), Feb. 2019 period (34<sup>th</sup>) and Aug. 2019 period (35<sup>th</sup>)



Aug. 2018 period (33<sup>rd</sup>) Actual

Distribution per unit **4,430yen**

<Key points>

- Disposition of Ito-Yokado Kawasaki and AEON Tobata SC
- Earthquake-related expenses
- Postponement of a part of repair expenses at Kawasaki Le Front
- Decrease in rent revenue due to renewal of mozo wonder city

Feb. 2019 period (34<sup>th</sup>) Revised forecast

Distribution per unit **4,430yen**

<Key points>

- Decrease in rent revenue related to disposed 2 existing properties in previous period (33<sup>rd</sup> period)
- Acquisition of m-city Kashiwa
- Earthquake-related expenses
- Increase in downtime and expenses due to renewal of KAWASAKI Le FRONT

Aug. 2019 period (35<sup>th</sup>) Forecast

Distribution per unit **4,430yen**

<Key points>

- Decrease in rent revenue related to disposed 2 existing properties in previous period (33<sup>rd</sup> period)
- Contribution, in full, of revenue of m-city Kashiwa
- Decrease in downtime and increase in expense due to renewal of KAWASAKI Le FRONT

(Note 1) Calculated by deducting the amortization of reserve amount of reserve for temporary difference adjustments from reversal amount of reserve for dividend. The same shall apply hereinafter

(Note 2) Northern Osaka earthquake expenses for the fiscal period ending August 2018 (33<sup>rd</sup> period) and both Northern Osaka earthquake and Hokkaido East Iburi earthquake for the fiscal period ending February 2019 (34<sup>th</sup> period). The same shall apply hereinafter

(Note 3) Estimated impact of downtime to DPU is calculated based on the Estimated increase in NOI. The estimated increase in NOI is calculated by subtracting the sum of the actual NOI from the forecasted NOI after the renewal projects on an annualized basis or actual after depreciation NOI before the renewal projects

(Note 4) Total of repair costs due to renewal, loss on disposal of fixed assets, and relocation compensation costs, etc.

(Note 5) Figures added or deducted profit/loss on real estate to net income by adjusting the effects of renewal and temporary negative effects due to earthquakes etc.

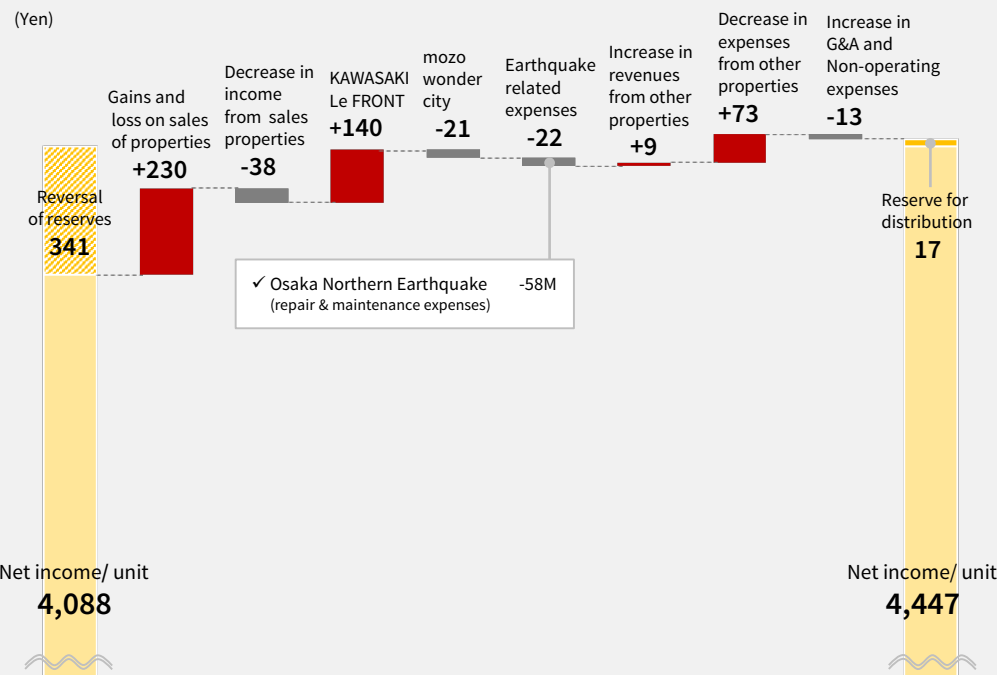
(Note 6) Includes the amortization of reserve amount of reserve for temporary difference adjustments

# Changes From Previous Forecast Announcement

## DPU changing factors from previous forecast announcement

### ■ Aug. 2018 Period (33<sup>rd</sup>)

Changes from announced forecast DPU to actual DPU



Aug. 2018 Period (33<sup>rd</sup>)

Published forecast  
on Apr. 2018

Distribution per unit  
4,430yen

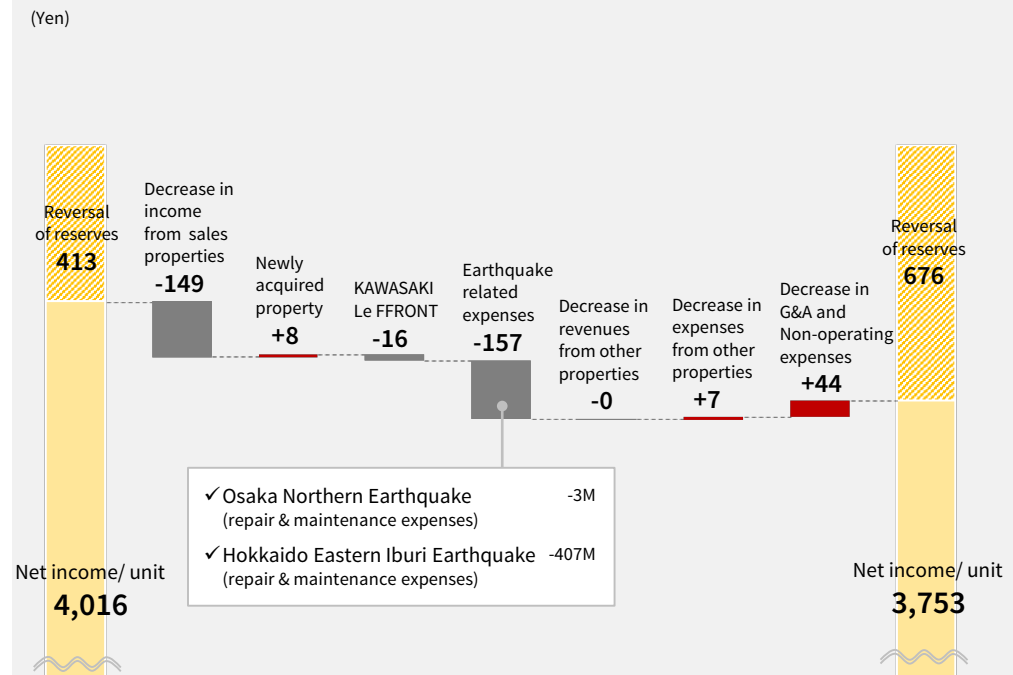
No change

Actual

Distribution per unit  
4,430yen

### ■ Feb. 2019 Period (34<sup>th</sup>)

Changes from announced forecast DPU to revised forecast DPU



Feb. 2019 Period (34<sup>th</sup>)

Published forecast  
on Apr. 2018

Distribution per unit  
4,430yen

No change

Revised forecast  
on Oct. 2018

Distribution per unit  
4,430yen

August 2018 (33<sup>rd</sup>) Period P/L Performance

|                                      | Feb. 2018 Period<br>(32nd) (Actual) | Aug. 2018 Period<br>(33rd) (Actual) | Change   | Apr. 16, 2018<br>(Revision of forecast) | Change   |
|--------------------------------------|-------------------------------------|-------------------------------------|----------|---|----------|
| Operating revenue                    | 31,967                              | 32,685                              | +718     | 31,965                                  | +720     |
| Operating expenses                   | 17,495                              | 18,813                              | +1,318   | 19,023                                  | -210     |
| (Rent NOI excl. gain on sale)        | 23,290                              | 22,129                              | -1,160   | 21,764                                  | +365     |
| Operating income                     | 14,472                              | 13,871                              | -600     | 12,941                                  | +930     |
| Non-operating revenue                | 3                                   | 2                                   | -1       |   |          |
| Non-operating expenses               | 2,242                               | 2,228                               | -14      |   |          |
| Ordinary income                      | 12,232                              | 11,645                              | -587     | 10,703                                  | +941     |
| Net income                           | 12,232                              | 11,644                              | -587     | 10,703                                  | +941     |
| Allocation to reserve                | 719                                 | 78                                  | -641     | —                                       | +78      |
| Reversal of reserve                  | 31                                  | 31                                  | —        | 894                                     | -863     |
| Total distribution                   | 11,545                              | 11,597                              | +52      | 11,597                                  | —        |
| Units outstanding                    | 2,618,017 units                     | 2,618,017 units                     | +0 units | 2,618,017 units                         | —        |
| DPU                                  | 4,410 yen                           | 4,430 yen                           | +20 yen  | 4,430 yen                               | —        |
| FFO per unit <sup>(Note1)</sup>      | 6,875 yen                           | 6,399 yen                           | -476 yen | 6,273 yen                               | +126 yen |
| FFO pay out ratio <sup>(Note2)</sup> | 64.1 %                              | 69.2 %                              | —        | 70.6 %                                  | —        |
| Capital expenditures                 | 1,732                               | 1,390                               | -342     | 2,198                                   | -807     |
| Maintenance                          | 1,103                               | 898                                 | -205     |   |          |
| Enhancement                          | 629                                 | 492                                 | -136     |   |          |
| Repair expenses                      | 314                                 | 1,099                               | +785     | 1,457                                   | -358     |
| Total                                | 2,047                               | 2,490                               | +443     | 3,655                                   | -1,165   |
| Depreciation                         | 5,767                               | 5,712                               | -55      | 5,720                                   | -7       |

(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) Distribution per unit / FFO per unit

(Note 3) Million yen unless otherwise noted

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

(million yen)

|  |        |
|--|--------|
| Operating revenues   | +718   |
| ✓ Contribution, in full, of rent revenue of new 5 properties   | +304   |
| ✓ Gain on sales of property (AEON Tobata SC)   | +787   |
| ✓ Rent revenue related to disposed properties (Ito-Yokado Kawasaki, AEON Tobata SC)  | -79    |
| ✓ Decrease in penalty income of MARINE & WALK YOKOHAMA   | -787   |
| ✓ Occurred renewal downtime and increase in restoration cost received etc. of KAWASAKI Le FRONT  | +476   |
| ✓ Other properties (utility charge received +77, card fee income -14, penalty income -17, others -24)  | +17    |
| Operating expenses   | +1,318 |
| ✓ Contribution, in full, of expense of new 5 properties  | +50    |
| ✓ Loss on sales of property (Ito-Yokado Kawasaki)  | +184   |
| ✓ Expense related to disposed properties (Ito-Yokado Kawasaki, AEON Tobata SC)   | +22    |
| ✓ Increase in expense due to renewal of KAWASAKI Le FRONT  | +622   |
| ✓ Other properties (property-related tax of new acquired properties +102, earthquake-related expenses +58, repair expense +124, utility charge +104, PM fee -78, promotion expense -76, other expense +73, loss on disposal of fixed assets +72, depreciation -40) | +341   |
| ✓ Increase in general administration fees  | +97    |
| Operating income   | -600   |
| Absence of expense of repurchase of own investment units   | -21    |
| Ordinary income  | -587   |
| Net income   | -587   |

Major factor behind change during Aug. 2018 (33<sup>rd</sup>) period  
(Compared to the revised forecast as of Apr. 16, 2018)

(million yen)

|  |      |
|--|------|
| Operating revenues   | +720 |
| ✓ Gain on sales of property (AEON Tobata SC)   | +787 |
| ✓ Rent revenue related to disposed properties (Ito-Yokado Kawasaki, AEON Tobata SC)  | -69  |
| ✓ Other properties (rent -34, card fee income -14, penalty income -31, others +80)   | +1   |
| Operating expenses   | -210 |
| ✓ Loss on sales of property (Ito-Yokado Kawasaki)  | +184 |
| ✓ Expense related to disposed properties (Ito-Yokado Kawasaki, AEON Tobata SC)   | +32  |
| ✓ Postponement of a part of repair expenses at Kawasaki Le Front, etc.   | -374 |
| ✓ Other properties (property-related tax -32, earthquake-related expense +58, repair expense -79, PM fee -10, other expense -22, loss on disposal of fixed assets -20) | -97  |
| ✓ Increase in general administration fees  | +45  |
| Operating income   | +930 |
| Decrease in interest payments, etc.  | -9   |
| Ordinary income  | +941 |
| Net income   | +941 |

August 2018 (33<sup>rd</sup>) Period B/S Performance

|  | Feb. 2018 Period<br>(32nd) (Actual) | Aug. 2018 Period<br>(33rd) (Actual) | Change        |
|--|-------------------------------------|-------------------------------------|---------------|
| Total assets (1)                           | <b>902,191</b>                      | <b>887,668</b>                      | - 14,523      |
| Total liabilities                          | <b>469,210</b>                      | <b>454,438</b>                      | - 14,771      |
| Interest-bearing liability (2)             | <b>406,191</b>                      | <b>392,725</b>                      | - 13,466      |
| Tenant leasehold and security deposits (3) | <b>51,894</b>                       | <b>50,341</b>                       | - 1,552       |
| Net assets                                 | <b>432,981</b>                      | <b>433,229</b>                      | + 248         |
| LTV ( (2)+(3) ) / (1)                      | <b>50.8</b> %                       | <b>49.9</b> %                       | -0.9 points   |
| LTV (2) / (1)                              | <b>45.0</b> %                       | <b>44.2</b> %                       | -0.8 points   |
| Long-term borrowings ratio                 | <b>98.9</b> %                       | <b>100.0</b> %                      | +1.1 points   |
| Fixed interest rate ratio                  | <b>95.4</b> %                       | <b>99.0</b> %                       | +3.6 points   |
| Average debt cost                          | <b>1.09</b> %                       | <b>1.06</b> %                       | - 0.03 points |
| Number of properties                       | <b>100</b> properties               | <b>98</b> properties                | -2 properties |
| Aggregate acquisition price                | <b>910,110</b>                      | <b>888,675</b>                      | - 21,434      |
| Unrealized profits and losses              | <b>+ 135,188</b>                    | <b>+ 149,164</b>                    | + 13,975      |
| Book value                                 | <b>859,041</b>                      | <b>836,065</b>                      | - 22,975      |
| Appraisal value                            | <b>994,230</b>                      | <b>985,230</b>                      | - 9,000       |

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

|  |              |              |      |
|--|--------------|--------------|------|
| Balance of reserve                           | <b>5,089</b> | <b>5,136</b> | + 47 |
| Reserve for dividends                        | <b>1,537</b> | <b>1,616</b> | + 78 |
| Reserve for reduction entry of property      | <b>476</b>   | <b>476</b>   | —    |
| Reserve for temporary difference adjustments | <b>3,075</b> | <b>3,044</b> | - 31 |

(Note) Million yen unless otherwise noted

Major factor behind change during Aug. 2018 (33<sup>rd</sup>) period  
(Compared to previous period)

(million yen)

|   |         |
|---|---------|
| Total assets  | -14,523 |
| ✓ Acquisition of new property, disposition of existing properties | -18,980 |
| ✓ Increase in cash and bank deposits                              | +8,611  |
| ✓ Depreciation, loss on disposal of fixed assets                  | -5,877  |
| ✓ Capital expenditures  | +1,390  |
| Total liabilities   | -14,771 |
| ✓ Decrease in interest-bearing liabilities                        | -13,466 |
| ✓ Decrease on tenant leasehold and security deposits              | -1,552  |
| ✓ Consumption tax payable, etc.                                   | +509    |
| Net assets  | +248    |
| ✓ Increase in reserve for dividends                               | +688    |
| ✓ Decrease of retained earnings                                   | -589    |
| ✓ Deferred gains and losses on hedges                             | +149    |

## Forecasts for the Coming Two Periods

|                             | Aug. 2018 Period<br>(33rd) (Actual) | Feb. 2019 Period<br>(34th) (Forecast) | Change   | Aug. 2019 Period<br>(35th) (Forecast) | Change  |
|-----------------------------|-------------------------------------|---------------------------------------|----------|---------------------------------------|---------|
| Operating revenue           | 32,685                              | 30,221                                | -2,463   | 30,296                                | +74     |
| Operating expenses          | 18,813                              | 18,414                                | -399     | 18,666                                | +252    |
| (Rent NOI)                  | 22,129                              | 20,434                                | -1,695   | 20,309                                | -124    |
| Operating income            | 13,871                              | 11,807                                | -2,064   | 11,629                                | -177    |
| Non-operating revenue       | 2                                   | —                                     | -2       | —                                     | —       |
| Non-operating expenses      | 2,228                               | 1,981                                 | -247     | 1,859                                 | -121    |
| Ordinary income             | 11,645                              | 9,826                                 | -1,819   | 9,770                                 | -56     |
| Net income                  | 11,644                              | 9,825                                 | -1,819   | 9,769                                 | -56     |
| Allocation to reserve       | 78                                  | —                                     | -78      | —                                     | —       |
| Reversal of reserve         | 31                                  | 1,772                                 | +1,740   | 1,828                                 | +56     |
| Balance of reserve (Note 1) | 5,136                               | 3,364                                 | -1,772   | 1,535                                 | -1,828  |
| Total distribution          | 11,597                              | 11,597                                | +0       | 11,597                                | —       |
| Units outstanding           | 2,618,017 units                     | 2,618,017 units                       | —        | 2,618,017 units                       | —       |
| DPU                         | 4,430 yen                           | 4,430 yen                             | —        | 4,430 yen                             | —       |
| FFO per unit (Note 2)       | 6,399 yen                           | 5,884 yen                             | -515 yen | 5,870 yen                             | -14 yen |
| FFO pay out ratio (Note 3)  | 69.2 %                              | 75.3 %                                | —        | 75.5 %                                | —       |
| Capital expenditures        | 1,390                               | 4,158                                 | +2,767   | 4,208                                 | +49     |
| Maintenance                 | 898                                 | 2,004                                 | +1,106   | 1,893                                 | -111    |
| Enhancement                 | 492                                 | 2,153                                 | +1,661   | 2,314                                 | +160    |
| Repair expenses             | 1,099                               | 1,473                                 | +373     | 1,676                                 | +203    |
| Total                       | 2,490                               | 5,632                                 | +3,141   | 5,884                                 | +252    |
| Depreciation                | 5,712                               | 5,581                                 | -131     | 5,599                                 | +17     |

Major factors behind change during Feb. 2019 (34<sup>th</sup>) period  
(Compared to actual results of Aug. 2018 (33<sup>rd</sup>) period)

(million yen)

|  |        |
|--|--------|
| Operating revenues   | -2,463 |
| ✓ Absence of gain on sales of property   | -787   |
| ✓ Rent revenue related to disposed 2 existing properties   | -693   |
| ✓ Renewal downtime and absence of restoration costs received of KAWASAKI Le FRONT  | -983   |
| ✓ Other properties (rent +111, utility charge received -66, penalty income +28, others -79)  | +0     |
| Operating expenses   | -399   |
| ✓ Absence of loss on sales of property   | -184   |
| ✓ Expense related to disposed 2 existing properties  | -388   |
| ✓ Increase in expense due to renewal of KAWASAKI Le FRONT  | +57    |
| ✓ Increase in Earthquake-related expenses  | +353   |
| ✓ Other properties (BM fee +52, utility charge -93, promotion expense +45, other expense -127, loss on disposal of fixed assets -38, depreciation +19) | -134   |
| ✓ Decrease in general administration fees  | -102   |
| Operating income   | -2,064 |
| Decrease in interest payments, etc.  | -222   |
| Ordinary income  | -1,819 |
| Net income   | -1,819 |

Major factors behind change during Aug. 2019 (35<sup>th</sup>) period  
(Compared to forecast for Feb. 2019 (34<sup>th</sup>) period)

(million yen)

|   |      |
|---|------|
| Operating revenues  | +74  |
| ✓ Contribution, in full, of rent revenue of m-city Kashiwa  | +131 |
| ✓ Increase in rent revenue due to renewal of KAWASAKI Le FRONT  | +98  |
| ✓ Renewal downtime of mozo wonder city, etc.  | -167 |
| ✓ Other properties (rent +73, utility charge received +25, penalty income -34, others -58)  | +11  |
| Operating expenses  | +252 |
| ✓ Contribution, in full, of expense of m-city Kashiwa   | +25  |
| ✓ Increase in expense associated with renewal of KAWASAKI Le FRONT  | +888 |
| ✓ Decrease in PM fee due to renewal of mozo wonder city, etc.   | -206 |
| ✓ Absence of earthquake-related expenses  | -411 |
| ✓ Other properties (property-related tax of new acquired properties +6, BM fee -21, repair expense -15, utility charge +76, promotion expense -27, other expense -25, loss on disposal of fixed assets -39, depreciation -45) | -78  |
| ✓ Increase in general administration fees   | +35  |
| Operating income  | -177 |
| Decrease in interest payments, etc.   | -121 |
| Ordinary income   | -56  |
| Net income  | -56  |

(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) Distribution per unit / FFO per unit

(Note 4) Million yen unless otherwise noted









Think bold today for a brighter tomorrow.



# Japan Retail Fund Investment Corporation

## **Disclaimer**

- This material may contain information such as data on future performance, plans, management targets, and strategies. Such descriptions with regard to the future are based on current hypotheses and assumptions about future events and trends in the business environment, but these hypotheses and assumptions are not necessarily correct. As such, actual results may vary significantly due to various factors.
- This material is prepared based on Japanese accounting principles unless otherwise noted.
- This material is to be used for analyzing the financial results of JRF, and is not prepared for the purpose of soliciting the acquisition of JRF's investment securities or the signing of financial instruments contracts. When investing, we ask investors to invest on their own responsibility and their own judgment.
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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)