MC-UBS GROUP

34th

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February 2019 (34th)

Period Results

September 1, 2018 ~ February 28, 2019

Japan Retail Fund Investment Corporation

Welcome to this presentation of JRF’s operating results for the 34th period, the six months from September 1, 2018 to February 28, 2019.

Having assumed the position of President and CEO of Mitsubishi Corp.-UBS Realty Inc. on February 1, 2019, I would like to extend my appreciation, and ask all stakeholders for their continued support and understanding. As the officer responsible for the management company, I will work diligently to preserve and expand the assets of investors. Maintaining the highest ethical standards, I will also make every effort to maximize unitholders’ value.

Before commenting on JRF’s operating results, I would first like to provide an overview of the planned merger of Mitsubishi Corp.-UBS Realty and MCUBS MidCity Inc. on July 1, 2019.

As a first step, and after the transfer of a 15% share from its sponsor company, Kanden Realty & Development Co., Ltd., MCUBS MidCity was included in the scope of Mitsubishi Corp.-UBS Realty’s consolidation as a wholly owned subsidiary on April 1, 2019.

The decision to then merge MCUBS MidCity with Mitsubishi Corp.-UBS Realty is largely based on efforts to integrate the know-how, experience and human resources of each asset management company and to establish a stable operating platform. This will allow us to provide higher quality services while further enhancing the competitiveness of each Investment Corporation and boosting unitholders’ value.

As stated, the goal of the merger is to strengthen the capabilities of the asset management company. With this in mind, the rules on preferential consideration rights pertaining to investment information between JRF, IIF and MCUBS MidCity remain unchanged.

From a personnel perspective, Naoki Suzuki resigned from his position as Deputy President and Representative Director of MCUBS MidCity and was appointed Deputy President and Representative Director of Mitsubishi Corp.-UBS Realty effective April 1, 2019.

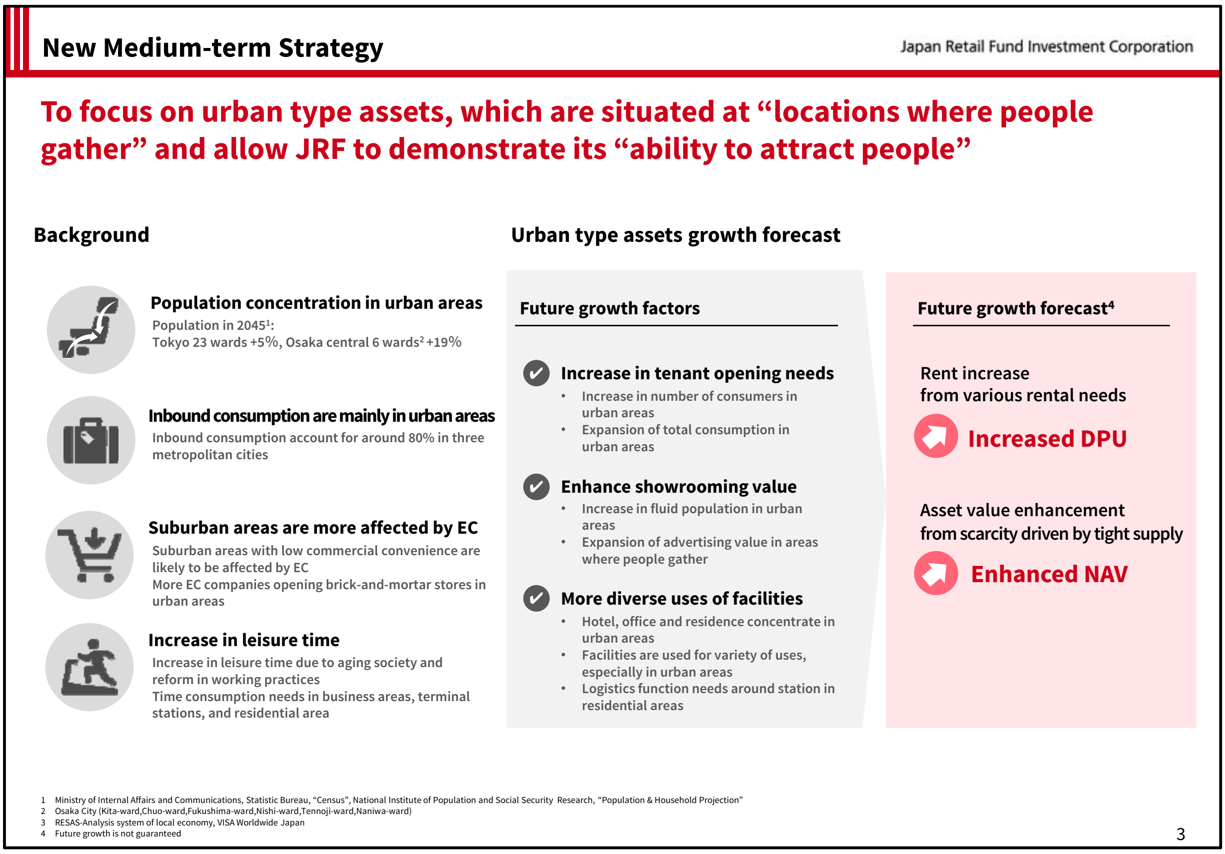
Contents

Turning now to the principal topic at hand, I direct you to the “Contents” page. I will begin with an overview of progress under our new medium-term strategy announced in October last year, before passing the microphone to Mr. Araki, Head of the Asset Management Company’s Retail Division, who will comment on JRF’s operating performance, financial results and forecasts.

Please turn to page 3.

Progress of New Medium-term Strategy

G-Bldg. Midosuji 02



JRF announced details of its medium-term strategy during its presentation in October last year. The thrust of this strategy is to focus on urban type assets that are situated in "locations where people gather" and to allow the Investment Corporation to demonstrate its "ability to attract people," or so-called "management skills."

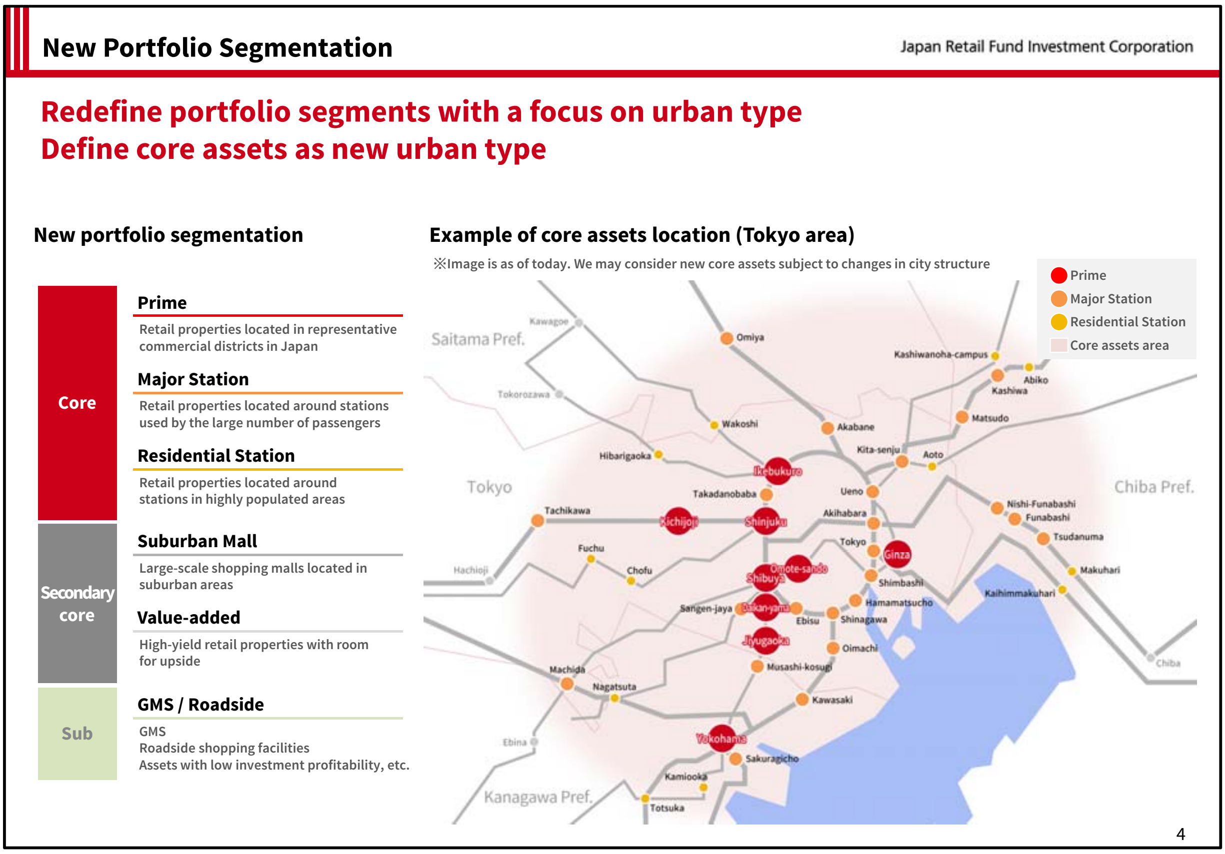
Four elements underpin JRF's medium-term strategy: concentration of the population in urban areas; robust inbound consumption mainly in urban areas; susceptibility of suburban areas to the effects of e-commerce and; growth in urban time consumption needs as a result of the growing focus on leisure.

Our thoughts on these elements are provided on page 7 of the presentation materials. I ask that you review as time permits.

We believe that urban type assets are best suited to addressing trends in our operating environment and remain confident in our ability to secure JRF's further growth by focusing on this asset category.

As the population density in urban areas continues to intensify, we anticipate the amount of consumption will increase. This is in turn expected to trigger an upswing in tenant store opening demand while driving growth in both the advertising value of places where people gather and utility value due to a "showrooming" effect. Meanwhile, the impact of a concentration of the population in urban areas is expected to affect more than just the retail sector. Extending across a diverse range of facilities, we anticipate a concentration of such properties as hotels, offices and residences.

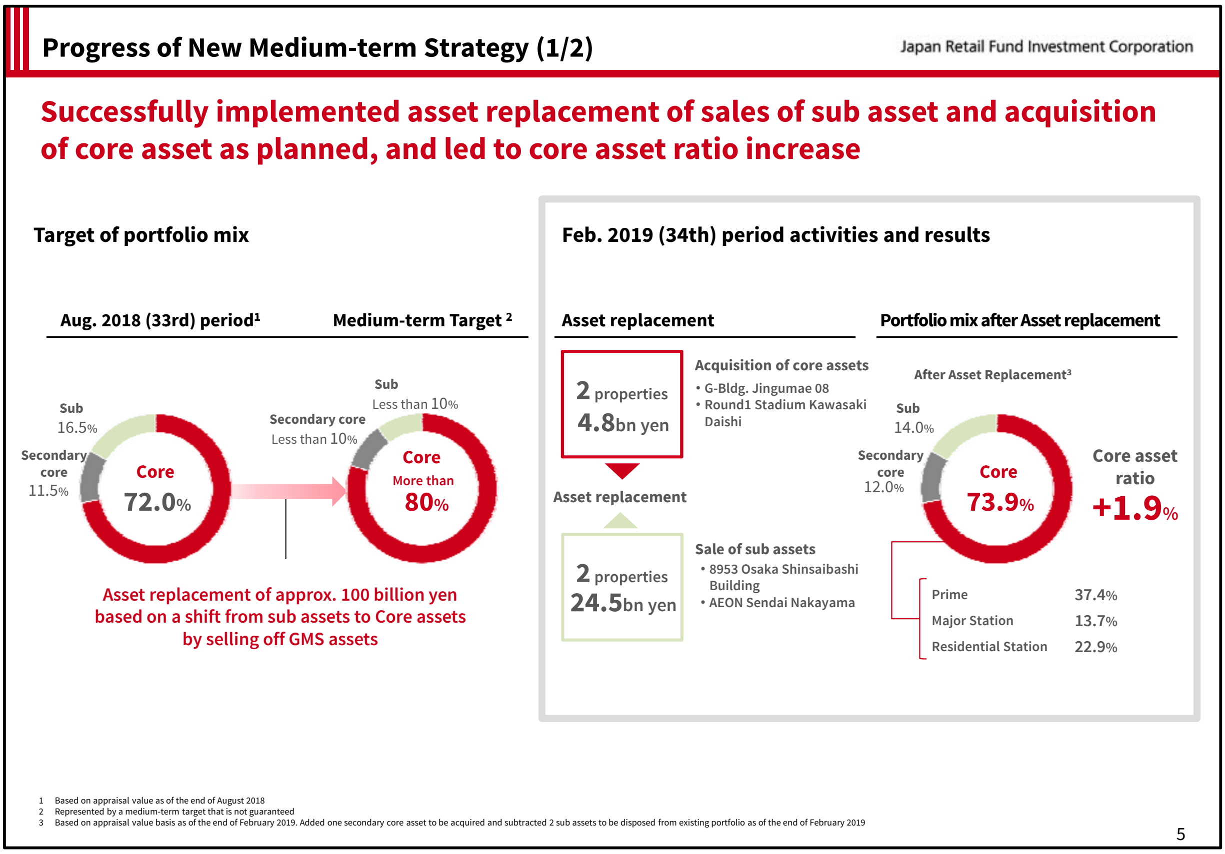
Taking into consideration each of these factors, we recognize that a portfolio that focuses on urban type assets will help generate an upswing in rental income as a result of the concentration in diverse rental needs, and by extension allow us to expand distributions. Against the backdrop of a limited urban type asset supply, we are also expecting rental, acquisition and own-use needs to rise. Impacted by tight demand and supply, we anticipate JRF’s net asset value, or NAV, will improve due to growth in the value of the portfolio.



As a part of its medium-term strategy and efforts to focus on urban type assets, JRF has redefined the segments that make up its portfolio. JRF's portfolio is now classified into the three broad "Core," "Secondary Core," and "Sub" asset categories, with the "Core" category newly comprised of urban type assets.

In addition to the "Prime" retail properties that are located in representative commercial districts in Japan, "Core" assets include "Major Station" properties located around stations used by large numbers of passengers, and "Residential Station" properties located around stations in highly populated areas. At the right half of the page, we provide a map of Greater Tokyo. The section shaded in pink represents our "Core" asset investment area. Please note that this is an image as of the date of this presentation. We will consider new "Core" assets in accordance with changes in the structure of city locations.

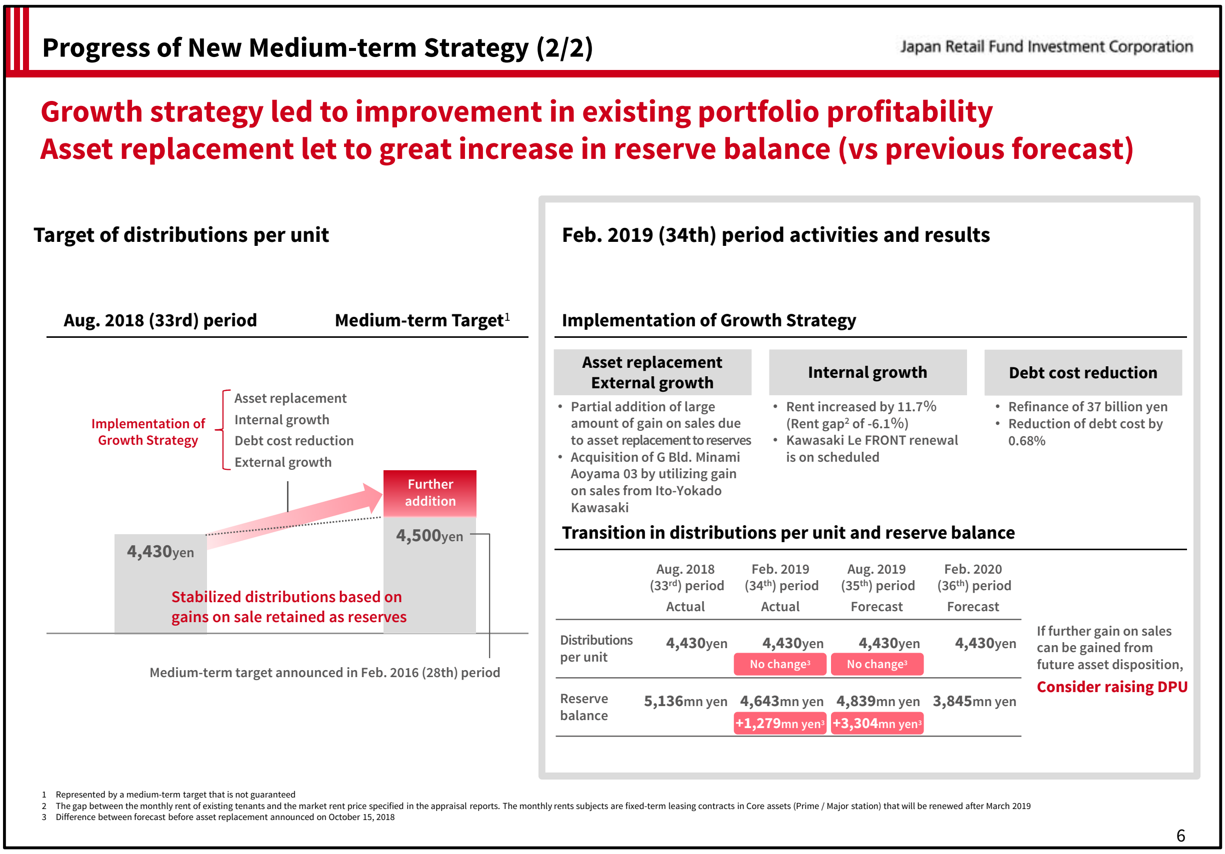
Directing your attention to page 5, I would like to comment on progress under the medium-term strategy.



JRF's medium-term goal is to lift the ratio of "Core" assets to more than 80% of its portfolio as a whole. In order to achieve this goal, we will focus mainly on eliminating our exposure in and holdings of general merchandise stores. In specific terms, we will look to replace "Sub" assets with "Core" assets to the tune of approximately 100 billion yen.

With this in mind, JRF acquired 2 "Core" assets totaling 4.8 billion yen while disposing of 1 "Sub" asset during the 34th period. With the decision in April 2019 to dispose of another "Sub" asset, plans are in place to dispose of 2 "Sub" assets for 24.5 billion yen. As a result, the ratio of "Core" assets is projected to improve 1.9 percentage points compared with the end of the previous period. The ratio of "Core" assets is also expected to come in at 73.9% after completing the previously announced replacement of assets. Looking ahead, we will continue to promote the replacement of assets while working to achieve a "Core" asset ratio of more than 80%.

Next, I would like to touch briefly on our medium-term distribution per unit, or DPU, target. Please turn to page 6.



JRF has set the DPU target of 4,500 yen for the 37th period after taking into account the structure of its portfolio at the time of its medium-term strategy announcement and completion of renovation work at Kawasaki Le FRONT. Moving forward, we will pursue the further replacement of assets while promoting a wide-range of strategies. By working to secure both external and internal growth in conjunction with a reduction in debt costs, every effort will be made to increase DPU even further than the medium-term target of 4,500 yen.

Under these circumstances, positive steps were taken to steadily implement growth strategies throughout the 34th period. Referring back to the replacement of assets that I mentioned a moment ago, JRF plans to offset the temporary expenses and downtime associated with renovation work at Kawasaki Le FRONT and any loss on sales following the disposition of assets in the future by drawing on a portion of the forecast gain on sales of approximately 3.8 billion yen from the disposition of 2 “Sub” asset properties. Turning to the unused portion of the aforementioned gain on sales, the residual amount will be employed to maintain the balance of reserves and to stabilize DPU going forward. From an external growth perspective, JRF also applied the gain on sales from the disposition of a non-core asset to acquire G. Bld. Minami Aoyama 03. This initiative helped improve the quality and profitability of the portfolio as a whole. As far as internal growth is concerned, the Investment Corporation has continued to implement a variety of measures. In addition to successfully narrowing the rent gap between existing property and market rental income by revising rents and securing an 11.7% increase, JRF pushed forward renovation work at Kawasaki le FRONT in line with plans. Turning to its financial strategy, the Investment Corporation was able to minimize debt costs. In specific terms, JRF refinanced borrowings to the tune of 37 billion yen thereby reducing its average interest rate by 0.68 of a percentage point.

While these endeavors have steadily increased the portfolio's profitability, renovation work at Kawasaki le FRONT continues to have an impact. As a result, JRF's DPU came in at 4,430 yen for the 34th period. We are also projecting the same DPU of 4,430 yen for both the 35th and 36th periods.

As I mentioned earlier in this presentation, JRF makes full use of any gain on sales following the disposition of assets. As a result, the balance of the Investment Corporation's reserves is forecast to remain unchanged at approximately 4 billion yen as of the end of the 36th period. In this manner, we are working diligently to ensure the stable payment of distributions.

In the event of a gain on sales following the disposition of assets in the future, we will consider increasing JRF's DPU.

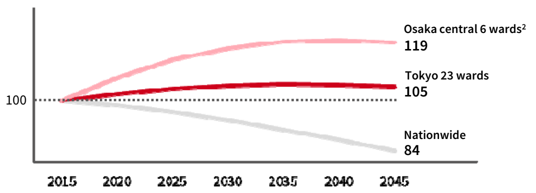
This then concludes my potion of the presentation. I would now like to hand the microphone to Mr. Araki, Head of the Asset Management Company's Retail Division.

Circumstances Surrounding Retail Properties

Demographics

- Total population of Japan decline is forecasted from 2015
- Population increase is expected in urban areas of Tokyo and Osaka

Population outlook for Japan (2015=100)[1]



1 Ministry of Internal Affairs and Communications, Statistic Bureau, "Census", National Institute of Population and Social Security Research, "Population & Household Projection"
2 Osaka City (Kita-ward,Chuo-ward,Fukushima-ward,Nishi-ward,Tennoji-ward,Naniwa-ward)

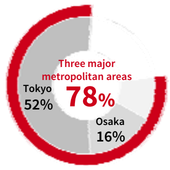
Inbound tourism

- The number of Japan-bound tourists has been ever-increasing
- Inbound tourism consumption amounts to 4.5 trillion yen in 2018, while the EC market in Japan is 8.6 trillion yen in size
- Most of the markets of inbound tourism consumption concentrates in urban areas of three metropolitan cities, mainly in Tokyo and Osaka

Number of Japan-bound tourists and their consumption[5]

	2011	2018
Tourists	6.2mn	31.2mn
Consumption	0.8tn yen	4.5tn yen

Japan-bound tourists' consumption by prefecture[6]



5 JNTO
6 RESAS-Analysis system of local economy, VISA Worldwide Japan

E-commerce

- The EC penetration rate in Japan is lower than global levels due to its commercial convenience
- EC will penetrate across suburban areas with low commercial convenience
- Needs for making retail facilities showrooms will increase along with the penetration of EC

EC penetration rate & market size by country[3]

	EC penetration	EC market size
Japan	5.8%	8.6tn yen
US	9.9%	56.6tn yen
UK	16.8%	9.2tn yen
China	23.3%	61.9tn yen

EC penetration rate forecast in Japan[4]

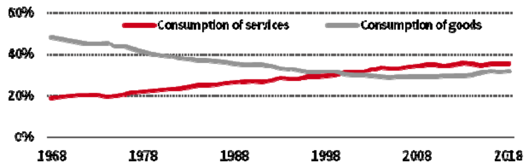
2020	2025	2030	2035
7.1%	9.2%	11.3%	13.4%

3 Japan: Ministry of Economy, Trade and Industry, "FY 2017 Establishment of infrastructure for data driven society in Japan (Market research on e-commerce)"
US：United States Department of Commerce, "Latest Quarterly E-Commerce Report"
Other countries: Euromonitor International
4 NLI Research Institute

Increase in leisure time

- Along with aging society, 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
- Time consumption needs around business areas, terminal stations, and residents are also increasing as business worker's leisure time expands due to overtime work limitation and rise in paid leave utilization

Transition in household consumption[7]



7 The Ministry of Internal Affairs and Communications, Statistic Bureau
For "Consumption of services," the graphic above shows the proportion that the total expenditures for insurance, medical fees, transportation, communication, education, cultural activities and recreation comprise of total consumption expenditures. For "Consumption of goods," the graphic above shows the proportion that the total expenditures for food, furniture, household supplies, clothing, and footwear comprise of total consumption expenditures

Financial highlights of Feb. 2019 (34th) period

Asset

No. of properties	101 properties
Asset size[1]	905.7 bn yen
Appraisal value	1,008.3 bn yen
Unrealized gain[2]	156.9 bn yen
NOI yield[3]	4.8%
NOI yield after depreciation[3]	3.6%

Debt

Interest-bearing debt	404.7 bn yen
LTV ratio (excluding tenant leasehold and security deposits)	45.1%
LTV ratio (including tenant leasehold and security deposits)	50.7%
Average debt cost	0.99%
Average loan term remaining until maturity	4.2 years

Equity

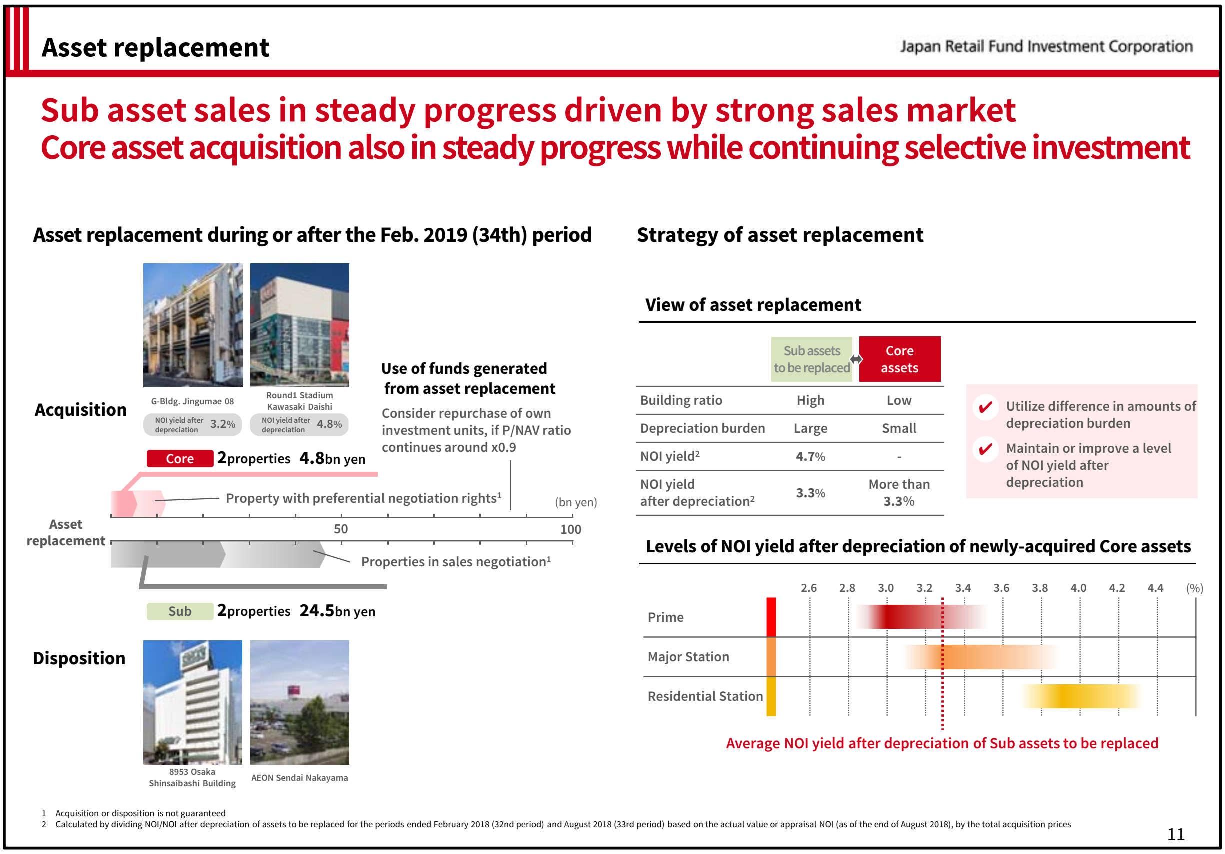
Market capitalization[4]		587.4 bn yen
NAV per unit[5]		220,800 yen
Distribution per unit	Feb. 2019 (34th) period	4,430 yen Actual
	Aug. 2019 (35th) period	4,430 yen Forecast
	Feb. 2020 (36th) period	4,430 yen Forecast

1 Total acquisition price
2 Appraisal value at end of period－Book value at end of period
3 Feb. 2019 (34th) actual figures on an annualized basis divided by acquisition price
4 As of the end of February 2019
5 (Net assets＋unrealized profits and losses－total distribution)÷total units outstanding

MEMO

Thank you, Mr. Okamoto. In my capacity as Head of the Asset Management Company's Retail Division, I would like to comment on JRF's operating and financial results as well as forecasts.

Please turn to page 11.



Let me begin with an explanation of our progress in replacing assets.

Taking into consideration the current robust status of the market, JRF is endeavoring to optimize the composition of its assets in response to changes in the retail property operating environment. In an effort to lift the ratio of core assets, the Investment Corporation is vigorously promoting a replacement strategy at the expense of the "Sub" asset category.

In the 34th period under review, JRF acquired 2 "Core" assets at a cost of 4.8 billion yen using proceeds from the disposition of "Sub" assets. G-Bldg. Jingumae 08 is a prime property located in the Omotesando-Jingumae area, which we have identified as a key investment target. Round One Stadium Kawasaki Daishi is a "Residential Station" property that services a substantial population. Situated in outstanding urban locations, the acquisition of both properties is consistent with our asset replacement strategy. Moreover, we are engaging in discussions over prime properties for which we have secured preferential negotiation rights. Progress is being made to acquire core assets including properties currently under negotiation worth in excess of 10 billion yen.

As far as the disposition of assets is concerned, we have already concluded contracts for the sale of the 8953 Osaka Shinsaibashi Building, a property that is classified as a "Sub" asset due to its low investment profitability, and AEON Sendai Nakayama, a suburban general merchandise store. Details of the disposition of this latter property were provided in a press release issued last week on April 10. Plans are in place to complete the sale of both properties at an aggregate disposition price of 24.5 billion yen in the current 35th period.

In addition, JRF is actively engaged in the disposition of other properties in the “Sub” asset category. The sum total of those properties earmarked for sale where action is currently in progress, namely the 2 properties for which transfer agreements have been executed and specific properties for which negotiations are underway, comes to roughly half of our asset replacement target of 100 billion yen. Meanwhile, while a loss on the sale of 1 property currently under negotiation totaling 1 billion yen has been factored into forecasts for the 35th period, discussions are centered on a disposition price that significantly exceeds the appraisal value.

Our recent activities regarding the disposition of assets largely reflects the current robust state of the real estate market and falls within expected plans. When undertaking the replacement of assets, we are adopting a selective approach toward the acquisition of “Core” assets in order to avoid the purchase of a property at an excessively high price. Looking at other options that complement our asset replacement strategy, JRF will consider a second repurchase of its own investment units depending on the prevailing investment unit price. At the same time, we have incorporated the possibility of allocating a portion of the roughly 4.6 billion yen in JRF’s reserves to offset any decline in property income during the period with respect to the acquisition and disposition of properties.

As far as the purchase and sale of retail properties is concerned, market conditions remain favorable to sellers. While this is especially true for urban retail properties, this sellers’ market extends to suburban properties in the three major metropolitan cities or locations of a corresponding nature that exhibit commercial viability. Retail properties that offer certain attributes are also attracting the interest of multiple prospective buyers. This includes properties that are distinguished by their versatility such as their development as a condominium complex or logistics facility.

From an acquisition perspective, the market is extremely brisk with a continuous stock of properties for consideration. Given this availability, we will continue to pursue opportunities when the perceived value of a property matches its cost. Compared with office buildings, residences and other related assets, the pool of retail property purchasers remains limited. Based on the predominance of closed bid and direct negotiation transactions, we will endeavor to fully utilize each of these tools when considering an acquisition.

At the right side of the page, we outline our view toward asset replacement. As you can see, the depreciation burden of suburban properties in the “Sub” asset category is large due to the high building ratio. As a result, the NOI yield after depreciation tends to be low. Based on the aforementioned, we will work to maintain or improve the level of NOI yield after depreciation. In promoting the replacement of assets, we will therefore target an NOI yield after depreciation of more than 3.3%.

Next, I would like to touch on the disposition of properties in the “Sub” asset category. Please turn to page 12.

List of disposition sub assets

Japan Retail Fund Investment Corporation

8953 Osaka Shinsaibashi Building

Disposition price	14,900mn yen
Appraisal value[1]	14,000mn yen
Book value[2]	12,039mn yen
Gain or loss on sales	2,757mn yen
NOI yield[4]	3.7%
NOI yield after depreciation[4]	2.8%
Purchaser	Domestic Godo Kaisha
Disposition date (scheduled)	August 30, 2019

AEON Sendai Nakayama

Disposition price	9,920mn yen
Appraisal value[5]	9,620mn yen
Book value[2]	8,505mn yen
Gain or loss on sales	1,110mn yen
NOI yield[6]	6.4%
NOI yield after depreciation[6]	5.4%
Purchaser	Domestic company
Disposition date (scheduled)	August 9, 2019

Reason for Disposition

Quite challenge to change the contract for a more stable long-term leasing contract

- The current contract with the whole-building leasing tenant is an ordinary building leasing contract
- It may be quite challenging to change the for a more stable long-term leasing contract that could be favorable to JRF

Disadvantage in its commercial location

- Even though it is located in Shinsaibashi area, it has a disadvantage as a commercial location as it is not quite inside the main commercial zone
- Hotels and office buildings are located here
- The local market rent is roughly one sixth of that on the prime locations in Shinsaibashi District

Building versatility is low

- The Property is a building constructed for the current tenant's requirements and specifications. It is not suited for multiple tenants or other types: for example, with an escalator in the central area of the floor and no lighting windows
- The total floor area exceeding 13,000 m^2 is not suited and too large for other whole-building leasing tenants because of the limited commercial advantage of the location in Shinsaibashi District

Some sub assets are under negotiation towards disposition

1 Based on the appraisal report as of the end of August, 2018
2 Value assumed for the end of the August 2019 (35th) fiscal period
3 Calculated by deducting the sum of the book value, the asset disposition fee, and other related costs from the disposition price
4 Calculated by appraisal NOI and appraisal NOI deducted actual depreciation amount based on the appraisal report as of the end of August, 2018, divided by the acquisition price (14,300 million yen)
5 Based on the appraisal report as of the end of February 2019
6 Aug. 2018 (33rd) period and Feb. 2019 (34th) period actual NOI, and actual depreciation cost deducted from actual NOI divided by acquisition price (10,200 million yen) as of disposition date

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A transfer agreement for the disposition of the 8953 Osaka Shinsaibashi Building was concluded on February 21, 2019. Sold to a company in Japan, settlement is scheduled for August 30, 2019, the end of the 35th period. On completion of the transaction, we expect to record a gain on sale of 2 billion 757 million yen.

This property is located in the Osaka urban area and leased under an ordinary building contract that is favorable to the tenant. Despite its address in the Shinsaibashi area, the property is slightly removed from the principal commercial zone. Currently leased to the single tenant, Tokyu Hands Inc., on a built-to-suit basis, the property is also of limited use to multiple tenants due to its low versatility and efficiency rate. Taking into consideration the downside risk on revenue, JRF earmarked the 8953 Osaka Shinsaibashi Building for disposition as a property in the "Sub" asset category.

Turning to AEON Sendai Nakayama, a contract has been concluded with a company in Japan to dispose of the property. Settlement is scheduled for August 9 during the 35th period, at which time we expect to record a gain on sale of 1 billion 110 million yen.

Directing your attention to page 13, I would like to comment on rent revisions for "Core" assets.

Rent Revisions in Core Assets (Prime/Major Station)

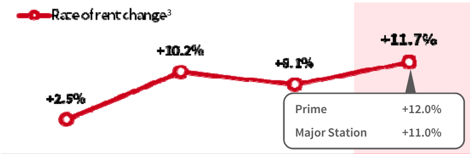
Japan Retail Fund Investment Corporation

Achieved rent increase, and continue achieving rent increase by leveraging rent gaps

Summary of rent gap

Rent gap of Core assets (Prime/Major Station) [1]	-6.1%
Effect to the distribution per unit due to rent gap resolved[2]	+208yen

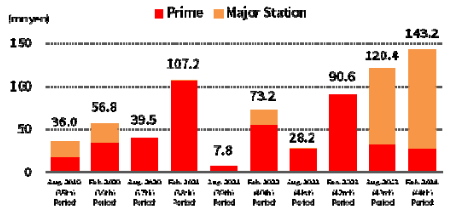
Summary of rent revisions



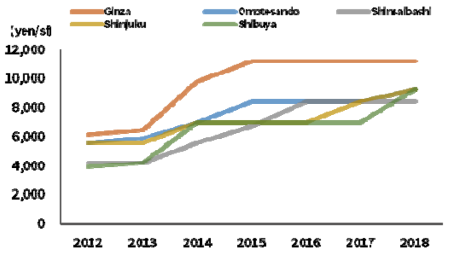
	Aug. 2017 (31st) period	Feb. 2018 (32nd) period	Aug. 2018 (33rd) period	Feb. 2019 (34th) period
Monthly rent subject to revision[4]	33.6mn yen	110.4mn yen	76.3mn yen	50.9mn yen
Changes in monthly rent after the revision (on net basis)	+0.8mn yen	+11.2mn yen	+6.2mn yen	+5.9mn yen
Effect on the distribution per unit[5]	+2yen	+26yen	+14yen	+14yen

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 Core assets (Prime / Major station) that will be renewed after March 2019
2 Semi-annualized the gap between the monthly rent of existing tenants and the market rent price specified in the appraisal reports, divided by outstanding units as of Feb. 2019 (34th) . The monthly rents subjects are fixed-term leasing contracts in Core assets (Prime / Major station) that will be renewed after March 2019
3 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)
4 Represented by the aggregated rents for blocks of the fixed-term leasing contracts, which will expire and renew in Core assets
5 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 Feb. 2019 (34th) period
6 CBRE "Retail Market Information"

Monthly rent subject to revision in the next 5 years[4]



Change in highest rents in major commercial districts[6]



13

As we have mentioned, JRF focuses on "Core" assets that have been further divided into segments. Looking at the "Prime" and "Major Station" segments within "Core" assets, we are seeing such phenomena as the upswing in utility value due to a "showrooming" effect, and a concentration in the diverse use of facilities. As a result, tenant store opening demand continues to hover at a high level. Turning to the graph at the bottom right of the page, we track changes in the highest rents of properties in major commercial districts. Also indicated on this page, you will see that the rent gap for "Core" assets is 6.1%. As indicated here on page 13, eliminating this rent gap will have a positive impact on DPU of 208 yen.

In the line graph at the center left of the page, we plot changes in the rate of rent revisions since the 31st period. JRF has successfully increased rents each period with the rate of rent revision increase coming in at 11.7% in the 34th period. As shown in the table at the bottom left of the page, increases in the rents of "Core" assets each period has had a positive impact on DPU. Over the 12 months of the 33rd and 34th periods, the positive impact on DPU was 28 yen.

At the top right of page 13, we provide a schedule of the monthly rents of "Prime" and "Major Station" assets subject to revision in the next 5 years, or 10 periods.

In working to boost the share of urban type properties within its portfolio, JRF will make every effort to realize internal growth by increasing the rents of existing properties.

Flexible measures according to types of assets and area characteristics

Tenant Relations

Attract a NY hamburger shop by direct approach

G-Bldg. Umeda 01 **SHAKE SHACK**

Attract new business style combined by apparel, interior, and photo studio operated by children's apparel brand

MARINE & WALK YOKOHAMA **NARUMIYA plus**

Creation of Atmosphere

Improvement of entrance environment aligned with facility environment concept “mozo park”

mozo wonder city **Improvement of entrance**

Renovate restroom on restaurant floor with many female customers to a woman-focused specification

La Porte Aoyama **Improvement of restroom**

Promotion

Hold highly appealing wine event taking advantage of the seaside location

MARINE & WALK YOKOHAMA **Wine market**

Show TV program advertising on walls and make the building itself a “show room”

CUTE CUBE HARAJUKU **Wall collaboration advertising**

14

Here on page 14, I would like to elaborate on measures that reflect the “ability to attract people.”

We recognize that choice locations with the ability to attract people are key to the management of retail properties going forward. By the same token, it is equally important to build a portfolio that is comprised mainly of “Core” assets, and to promote flexible measures that enhance the ability to attract people. Through these means, JRF is making every effort to maintain the competitive edge of its portfolio.

In order for retail properties to attract people, it is imperative that they exhibit attractive and trend-setting qualities. Key to achieving this end are tenant relations, the creation of an appealing atmosphere and promotions. It is vital, for example, that we attract tenants who are able to maintain their appeal despite changing times. At the same time, we must create an atmosphere that helps extend the time customers spend at each facility. With this in mind, we are putting in place a business environment that attracts appealing tenants. By making the most of promotions, we must also look to enhance awareness toward the facilities that we manage while engaging in activities that attract target customers. Thankfully, the members that make up the asset management team boast strengths in each of these three key areas. Moving forward, we will actively pursue tenant relations, the creation of an appealing atmosphere and promotions.

As one initiative undertaken during the 34th period, we leveraged our relationship with SAZABY LEAGUE Ltd., a company with stores at mozo wonder city and MARINE & WALK YOKOHAMA, to attract a second outlet of the popular SHAKE SHACK hamburger store in the Kansai area at G-Bldg. Umeda 01. Turning to the photo at the top center of the page, we took steps to renovate the entrance area of mozo wonder city, which serves as the face of this retail facility. Every effort has been made to instill a sense of enjoyment and exhilaration from the moment visitors enter the facility. When looking to refurbish the dining floor restrooms at La Porte Aoyama, where the number of female customers is quite high, we set up a project team comprised of women from this office. Placing the utmost emphasis on functionality from a woman’s perspective, we installed powder corners and illuminated mirrors.

Drawing your attention to the photo at the top right of the page, we undertook measures at MARINE & WALK YOKOHAMA targeting sophisticated, fashion-conscious customers. Taking full advantage of the facility’s seaside location, we invited 15 of Japan’s most popular wine shops to participate in a large-scale market event. This helped to attract and increase the number of target customers.

Elaborating next on progress at Kawasaki Le FRONT, I ask that you turn to page 15.

KAWASAKI Le FRONT Renewal Progress

Renewal plan as scheduled, almost completed tenant leasing
First series of renewal open of 27 stores on April 27

Project schedule

	Aug. 2019 (35th) period		Feb. 2020 (36th) period		Aug. 2020 (37th) period
Opening timing[1]	April 27 2019	2019 Summer	2019 Fall	2019 Winter	2020 Summer
Opening tenants	Food court Specialty stores	Super market Café	Specialty stores	Specialty stores	Aquarium Amusement

27 stores including one of the largest food court in Kawasaki east exit serving approx. 350 seats opens

FOOD VILLAGE

Large-scale super market "LIFE" etc. opens

(Super market)

(Café)

Aquarium integrated with commercial facility opens

Enjoy night time at stay-type aquarium

	Aug. 2019 (35th) period	Feb. 2020 (36th) period	Aug. 2020 (37th) period
Occupancy rate[2]	66.2%	85.4%	100.0%
Downtime[3]	500mn yen	230mn yen	Approx. 100mn yen
Temporary expense[4]	1,880mn yen	440mn yen	Approx. 50mn yen

1 Based on current renewal plan
2 Based on the contracted area occupied in the total leasable area of the property at the end of each period
3 Calculated by estimated rental revenue divided by estimated rental revenue after renewal
4 Total of repair costs due to renewal, loss on disposal of fixed assets, and relocation compensation costs, etc.
5 Direct capitalization rate indicated on appraisal report as of the end of February 2019
6 Ratio of total of fixed rent, minimum guaranteed rent and common maintenance fee, accounted for the entire tenant total rent

Key renewal points

- **Decrease product sales and attract experience-oriented consumption**
  Increase customers from experience-oriented consumption tenant such as aquariums and promote customers to shop around
- **Maintain high NOI yield**
  Maintain high NOI yield, the NOI which acquired assuming Marui vacation
- **High fixed rent ratio**
  Prevent rent downside by keeping fixed rent ratio of more than 90%
- **Upside potential by sales increase**
  Introduced sales-based rents in more than 60% of tenant contracts

Renewal indices

Total expenditure	5.1bn yen
NOI	1.9bn yen
NOI yield	6.2%
Appraisal cap rate[5]	4.5%
Fixed rent ratio[6]	93%
Sales based rents tenant	46 tenants (All 73 tenants)

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Renewal work at Kawasaki Le FRONT, a "Core" asset of considerable size, is currently underway. This is a major undertaking with work to be completed across roughly 26,450 square meters of the approximate 52,900 square meters of leased space and 62 of the 73 blocks. According to the project schedule presented on this page, work will be undertaken in stages up to the summer of 2020. Efforts to determine tenants who are subject to renewal continue to progress at an extremely steady pace. Decisions regarding tenants have already been made for 97% of the total leased space on either a contract or store application basis. The only thing left is for work to be completed in line with plans.

The first stage of this renewal project is scheduled to open on April 27 in accordance with plans. This first stage encompasses leased space of around 9,900 square meters and 27 stores and blocks that were mainly tenanted by the Marui Department Store.

The showpiece of the first stage is the new FOOD VILLAGE court area on the second floor. With a seating capacity of about 350, this is the largest food court of its kind in the JR Kawasaki Station East Exit area. Other highlights include the opening of new stores including DECO HOME, a specialty interior items outlet, and an outdoor goods store by mont-bell.

Moving forward, the LIFE supermarket chain will open a store on the first floor this summer. This will be followed next summer by the opening of Japan's first aquarium integrated with existing commercial stores that front the railway station. While currently in discussions with the existing operator, we are hoping to establish a stay-type aquarium that maximizes the integrated features of a retail facility. More than just the usual array of tanks that exhibit marine life, our intentions are to deliver a total package that incorporates the abundance of nature and to create an ambience of comfort and pleasure. In addition to an area that will allow visitors to interact freely with marine life and animals, the plan is to open an aquarium high on entertainment. With this in mind, we will set up an adjoining restaurant and bar so that customers can enjoy the facility during both the day and night.

Moreover, we will create a natural environment of mist and waterfalls using new methods that employ IoT. Integrating ecosystems with digital technology, we will work with the operator to provide visitors with a realistic experience and a unique look into the future of aquariums. We welcome your expectations as we work toward an opening.

At the bottom left of the page, we provide details of forecast occupancy rates and downtime by period. Little has changed since our previous announcement with work progressing in line with plans.

Please turn to page 16.

Debt management by fixing to long-term and reducing debt cost due to refinance

Refinance activities

Refinancing activities (Oct.2018 – Mar.2019)

	Before	After
Amount	37,000mn yen	37,000mn yen
Avg. term	4.7 years	5.9 years
Avg. debt cost[1]	1.11%	0.43%

Effect to the distribution per unit[2] **+48yen**

Borrowings maturing within 5 periods (Long-term fixed borrowing only) (As of Apr. 2019)

	Aug. 2019 (35th) period	Feb. 2020 (36th) period	Aug. 2020 (37th) period	Feb. 2021 (38th) period	Aug. 2021 (39th) period	Total
Amount	7,000mn yen	22,500mn yen	23,000mn yen	21,575mn yen	17,000mn yen	91,075mn yen
Avg. term	7.5 years	7.9 years	8.0 years	8.5 years	8.4 years	8.1 years
Avg. debt cost[1]	0.94%	1.36%	1.00%	1.16%	1.12%	1.15%

If refinanced at 0.7%, effect to the distribution per unit[2] **+77yen**

Financial Indices as of Feb. 2019 (34th) period

		PoP Change
Credit ratings (R&I)	AA- (Stable)	No Change
LTV (excluding tenant leasehold and security deposits)	45.1%	+0.9%
LTV (including tenant leasehold and security deposits)	50.7%	+0.8%
LTV (based on appraisal value) (excluding tenant leasehold and security deposits)	40.1%	+0.3%
LTV (based on appraisal value) (including tenant leasehold and security deposits)	45.1%	+0.1%
Average debt cost[3]	0.99%	-0.07%
Average loan term remaining until maturity[3]	4.2 years	-0.4 years
Long-term borrowing ratio[3]	98.2%	-1.8%
Fixed-interest ratio[3]	93.3%	-5.7%

Benchmark
- LTV (including tenant leasehold and security deposits) benchmark is from 45% to 55%
- The ratio of fixed interest rate debt needs to be 90% or higher

1 Include loan-related costs etc.
2 Calculated by the difference of debt cost before refinancing and debt cost after refinancing converted to semi-annualized basis and divided it by the issued investment units as of Feb. 2019 (34th) period
3 Calculation including the tenant leasehold and security deposits except

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Turning to the Investment Corporation's financial strategy, JRF has steadily reduced its debt cost through refinancing. This in turn has had a positive impact on DPU of 48 yen. In addition, plans are in place to refinance borrowings that will mature over the next 5 periods totaling 91 billion yen. Assuming an average interest rate of 0.7% as a result of refinancing, we anticipate a positive impact on DPU of 77 yen.

For a look at key financial indices as of the end of the 34th period, I draw your attention to the right side of the page.

JRF has received a credit rating of "AA-." Including and excluding tenant leasehold and security deposits, the Investment Corporation's loan-to-value, or LTV, as a ratio of total assets, came in at 50.7% and 45.1%, respectively. Given the high amount of unrealized profit, LTV on an appraisal value basis was 45.1%. As far as JRF's borrowings are concerned, the long-term borrowing ratio was 98.2% and the fixed-interest ratio 93.3%. The average loan term remaining until maturity was 4.2 years and average debt cost 0.99%.

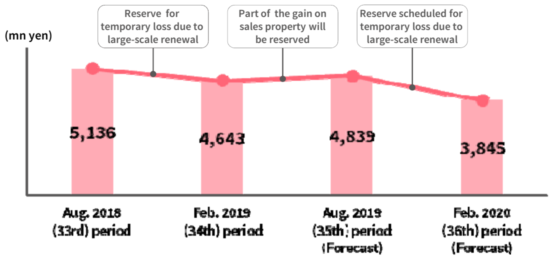
JRF regards 45 to 55% to be an appropriate benchmark range for its LTV as a ratio of total assets. As you can see, current levels are more than adequate falling within this range.

With an eye to the utilization of reserves, I ask that you turn to page 17.

Utilization of Reserve

Addition of gain on sales of sub assets to reserves and maintain sufficient reserve balance

Transition in reserve balance [1,2]



System that enables JRF to accumulate reserves

Tax loss carryforwards

Balance of tax loss carryforwards[3]	6.6bn yen
Effective period	Feb. 29, 2020

Reserve for reduction entry of property

Possible amount of reserve for reduction entry[3,4]	29bn yen
Effective period	Dec. 31, 2020

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

Future utilization of reserves

Past utilization

- Reserve used to compensate for decrease in revenue due to temporary expense and down time associated with large-scale renewal

No large-scale renewal planned at the moment

Future utilization

- Compensate for decrease in revenue due to disposition-preceding asset replacement

+

If reserve is left after above use

- Use of core assets for future growth investment
  - Compensate for down time at tenant replacement with potential revenue increase
  - Compensate for temporary expense and down time with potential floor area and rent increase

1 Balance of reserve after approval of distributions at the JRF's Board of Directors meeting for each period
2 Total amount of reserve for reduction entry of property, reserve for temporary difference adjustments, and reserve for dividend
3 As of "Financial Statements pertaining to allotment of funds" approval for fiscal period ended Feb. 2019 (34th) period
4 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

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Net income is projected to temporarily fall due to the one-off expenses and downtime attributable to renewal work at Kawasaki Le FRONT from the 34th to the 36th period. In principle, our policy is to utilize reserves in order to maintain distributions. Meanwhile, JRF is anticipating a gain on sale following the disposition of the 8953 Osaka Shinsaibashi Building of 2.7 billion yen and a gain on sale following the disposition of AEON Sendai Nakayama of 1.1 billion yen both in the 35th period. The plan is to utilize these gains on sales to offset the temporary decline in net income attributable to renewal work at Kawasaki Le FRONT as well as any losses on the sale of properties in the "Sub" asset category in the future. After allocating the remaining amount to reserves, the potential exists to maintain a high balance of approximately 4.8 billion yen as of the end of the 35th period. At the right of the page, we provide details of how we intend to utilize reserves in the future.

In the past, reserves have largely been used to offset any decline in income attributable to the temporary expenses and downtime associated with such initiatives as the large-scale renewal of properties. With the absence of any such forecast renewals for the foreseeable future, we will first allocate reserves to offset any drop in income attributable to the disposition of properties as a part of the replacement of assets. On this point, and thanks to JRF's past strategic efforts to build up its reserves, the Investment Corporation is in no rush to acquire assets. A buffer is in place that allows us to adopt a selective approach with respect to our acquisition activities.

Reserves will also be used to compensate for any downtime attributable to tenant turnover designed to secure a boost in revenue, as well as the temporary expenses and downtime associated with expansion and redevelopment initiatives similarly aimed at increasing revenue. In short, reserves will be used to promote the growth of “Core” assets in the future.

Appraisal Value Assessment

Increase unrealized gains of entire portfolio by approx. 8 billion yen from previous period

Breakdown of appraisal value

	Aug. 2018 (33rd) period			Feb. 2019 (34th) 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	353,480 mn yen	60,572 mn yen	45 properties	370,060 mn yen	62,655 mn yen	2,083 mn yen
Major Station	13 properties	133,170 mn yen	25,288 mn yen	13 properties	135,720 mn yen	26,760 mn yen	1,472 mn yen
Residential Station	20 properties	222,650 mn yen	34,364 mn yen	21 properties	226,390 mn yen	36,465 mn yen	2,101 mn yen
Core	76 properties	709,300 mn yen	120,223 mn yen	79 properties	732,170 mn yen	125,879 mn yen	5,656 mn yen
Secondary core	6 properties	113,000 mn yen	15,373 mn yen	6 properties	113,390 mn yen	16,817 mn yen	1,444 mn yen
Sub	16 properties	162,930 mn yen	13,568 mn yen	16 properties	162,780 mn yen	14,285 mn yen	717 mn yen
Total	**98** properties	**985,230** mn yen	**149,164** mn yen	**101** properties	**1,008,340** mn yen	**156,982** mn yen	**7,817** mn yen

Breakdown of Cap Rates[1]

	Aug. 2018 (33rd) period	Feb. 2019 (34th) period	Change
Prime	3.34 %	3.30 %	- 0.04 points
Major Station	4.47 %	4.45 %	- 0.02 points
Residential Station	5.01 %	4.98 %	- 0.03 points
Core	4.09 %	4.04 %	- 0.05 points
Secondary core	5.43 %	5.37 %	- 0.06 points
Sub	4.94 %	4.94 %	- 0.00 points
Total Ave.	**4.39** %	**4.34** %	**- 0.05** points

Changes in Cap Rates by property (vs 33rd period)[2]

	Aug. 2018 (33rd) period	Feb. 2019 (34th) period
Down	50 properties	32 properties
Same	40 properties	58 properties
Up	1 properties	1 property

1 Weighted average of direct cap rates at appraisal value (excluding properties to which the direct capitalization method is not applied)
2 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

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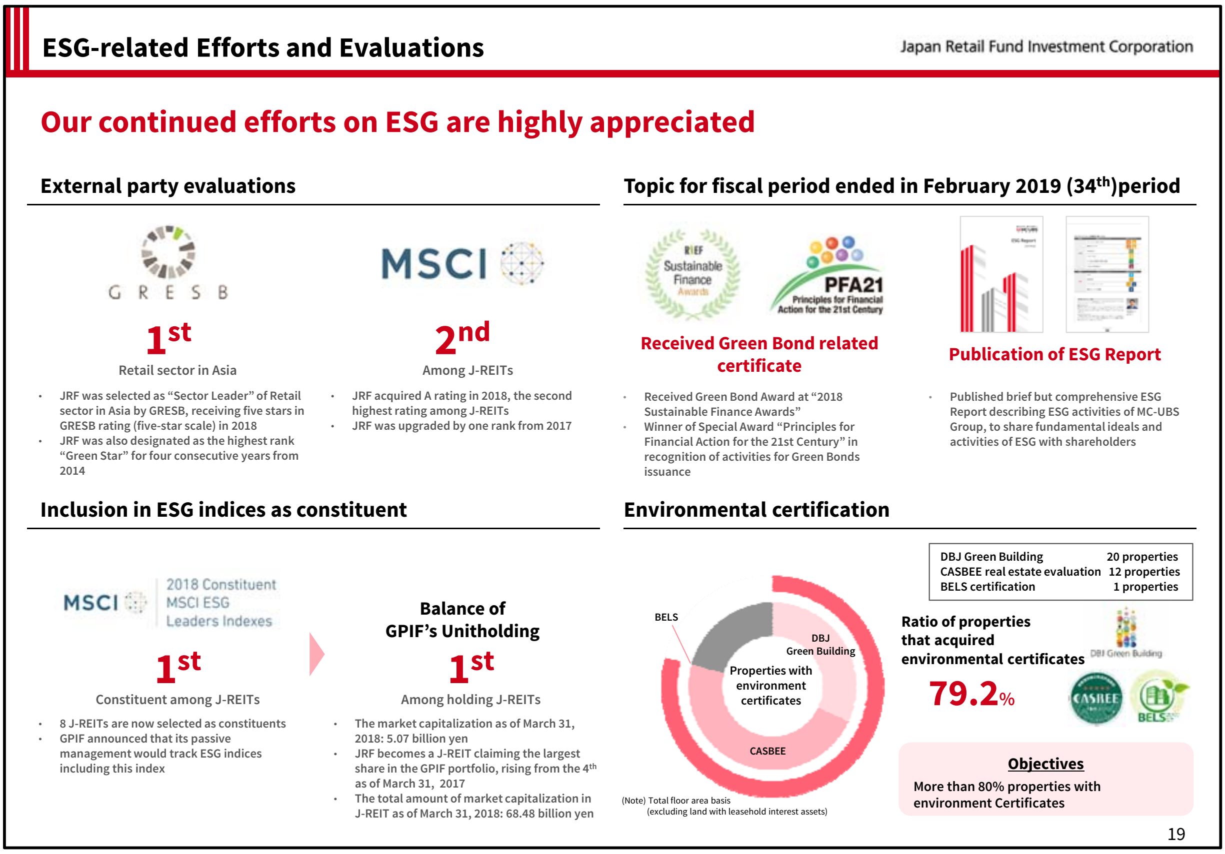
Here on page 18, I would like to take a quick look at appraisal values.

The data on this page provides a category breakdown and comparison of appraisal values between the 34th and 33rd periods.

The unrealized profit on the portfolio as a whole in the 34th period climbed roughly 8 billion yen compared with the 33rd period, to approximately 156.9 billion yen.

Running along the bottom of the page, we provide details of the portfolio's cap rate by asset category. As you can see, cap rates have declined compared with the previous period.

Changing tack, I would like to comment on JRF's efforts to address environmental, social and governance, or ESG, concerns. Please turn to page 19.

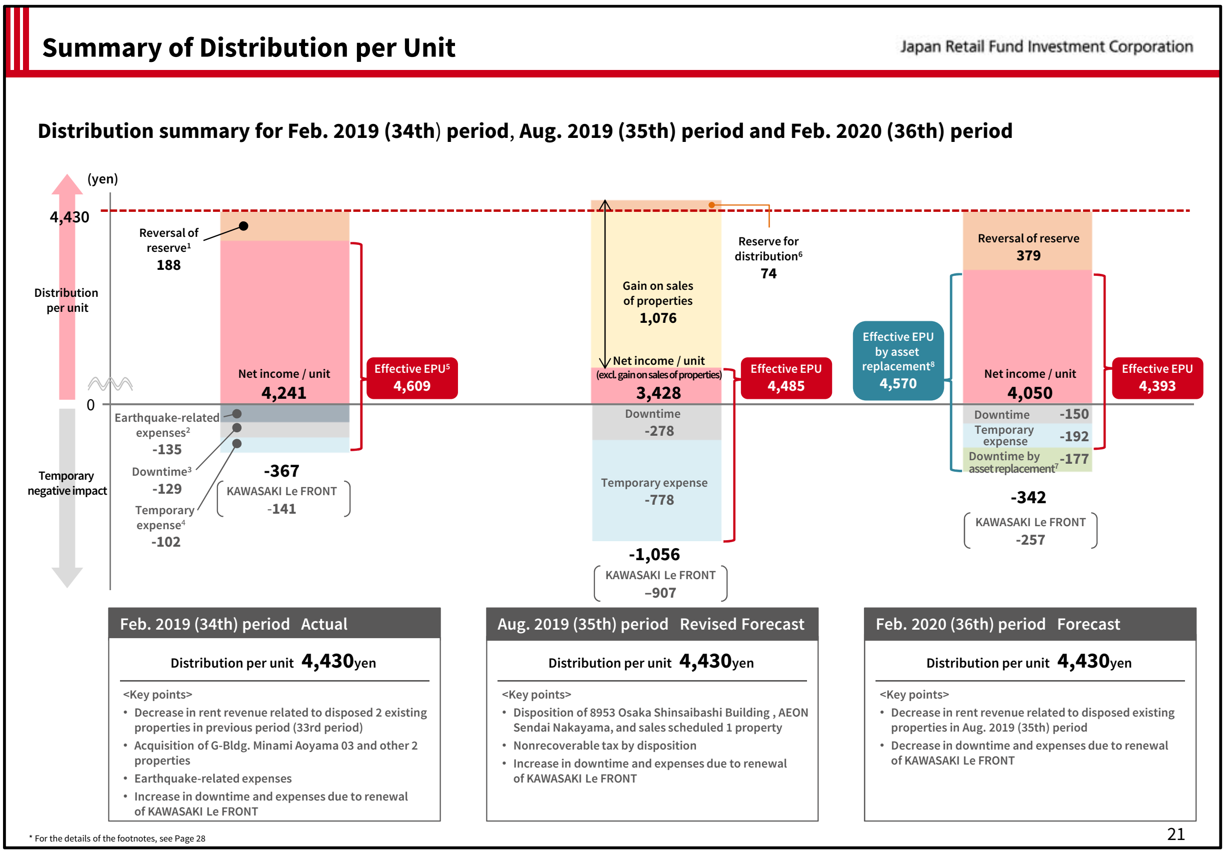


The Mitsubishi Corp.-UBS Realty Group engages in a wide range of ESG activities and has pioneered initiatives across such fields as the J-REIT sector. Here on this page, we provide details of the various accolades JRF has received for its endeavors.

The Investment Corporation has, for example, received the highest Global Real Estate Sustainability Benchmark, or GRESB, 5-star rating, and was selected as a "Sector Leader" of the retail sector in Asia. JRF also secured the top ranking among J-REITs included in the MSCI Japan ESG Select Leaders Index, and improved its ranking from 4th in fiscal 2017 to 1st among all J-REIT issues held by the Government Pension Investment Fund as of the end of March 2018.

In the 34th period under review, JRF received the Green Bond Award at the 4th Sustainable Finance Awards ceremony and the Special Award under the Principles for Financial Action for the 21st Century. This was in recognition of its efforts as the first J-REIT to issue green bonds in May 2018. The Investment Corporation was also the second J-REIT to publish an ESG Report in January this year. Plans are in place to issue an updated report annually.

Moving on to JRF’s financial results and forecasts, I ask that you turn to page 21.



Here on this page, we provide a summary of the Investment Corporation's DPU for the 34th period and forecasts for the 35th and 36th periods.

Between the 34th and 37th periods, JRF will undertake a large-scale renewal at Kawasaki Le FRONT. As a result, we expect to incur downtime and temporary expenses that will push down net income from the 34th to the 36th period. Taking into consideration the aforementioned, JRF will utilize reserves to stabilize distributions.

While touching briefly on key points for each of the 34th, 35th and 36th periods, I would like to also comment on the status of distributions. First, and in the 34th period under review, JRF acquired G-Bldg. Minami Aoyama 03, Round One Stadium Kawasaki Daishi and G Bldg. Jingumae 08. However, impacted by such outlays as repair costs following the Hokkaido Eastern Iburi earthquake on September 6, 2018, and the downtime and construction expenses associated with the renewal of Kawasaki Le FRONT, net income per unit came to 4,241 yen. Based on these factors, we will undertake a reversal of reserves to bring our DPU to 4,430 yen as planned.

In the 35th period, we expect to incur substantial temporary expenses and significant downtime as a result of renewal work at Kawasaki Le FRONT. This is projected to have a negative impact on DPU of 1,056 yen. At the same time, we are projecting a gain on sale of approximately 2.8 billion yen on the disposition of the 8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama and one other property in the "Sub" asset category. This is anticipated to have a positive impact on DPU of 1,076 yen.

From our perspective, we intend to allocate an amount equivalent to 74 yen per unit to a reserve for distribution to offset payments relating to ongoing renewal work at Kawasaki Le FRONT during the 35th and 36th periods. This will allow the Investment Corporation to pay a DPU of 4,430 yen, unchanged from the period under review.

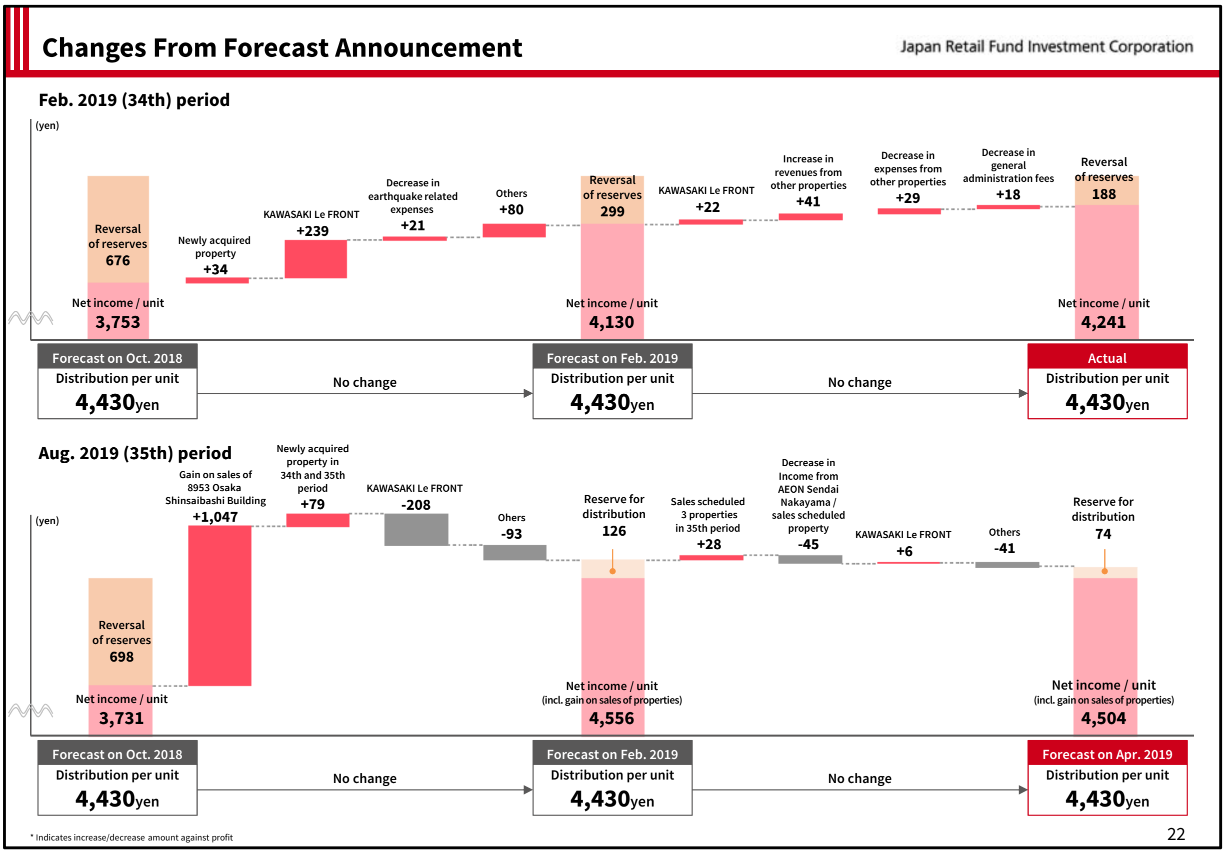
Commenting on the 36th period for the first time, we anticipate results will be affected by the absence of the gain on sale and a decline in revenue from the disposition of three properties in the “Sub” asset category in the 35th period. Coupled once again with the impact of temporary expenses and downtime associated with the renewal of Kawasaki le FRONT, earnings are projected to fall. Taking these factors into consideration, we forecast net income per unit in the 36th period will come in at 4,050 yen. Undertaking a reversal of reserves to the tune of 380 yen per unit, we expect to pay a DPU of 4,430 yen, the same forecast amount as the 35th period.

The table on this page also plots trends in the Fund’s earnings capabilities under normal operating conditions without implementing renewal work, or effective EPU. For the 34th and 35th periods effective EPU would come in at 4,609 yen and 4,485 yen, respectively. As I mentioned earlier in this presentation, JRF will undertake the disposal of three properties in the “Sub” asset category totaling approximately 30 billion yen. Given that this disposition precedes the ultimate replacement of assets, effective EPU in the 36th period is forecast to come in temporarily at 4,393 yen. In the event that JRF acquired “Core” assets that match the disposition of properties in the “Sub” asset category during the 35th period, the effective EPU through asset replacement in the 36th period is estimated to reach 4,570 yen as identified in blue.

Based on the aforementioned, we expect to achieve a DPU of 4,500 yen without undertaking a reversal of reserves in the 37th period. This takes into account steady efforts to affect the replacement of assets and the completion of renewal work at Kawasaki Le FRONT in line with plans.

As previously mentioned, we are currently in the throes of steadily implementing an asset replacement strategy and as such will continue to pursue the disposition of properties in the “Sub” asset category while acquiring “Core” assets. As a result, we may revise forecasts for the 35th and 36th periods contained in this presentation.

Meanwhile, in the event of a substantial gain on sale following the future disposition of properties in the “Sub” asset category, we will seriously consider increasing forecast distributions without waiting for the completion of renewal work at Kawasaki Le FRONT in the 37th period.



Finally, details of changes in net income from forecasts announced for the 35th and 36th periods, profit and loss data for each period as well as balance sheet information as of the end of the 34th period are provided on page 22, pages 23 to 26 and page 27, respectively, of the presentation materials. We ask that you refer to this information at your leisure.

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

February 2019 (34th) Period P/L Performance

	Aug. 2018 Period (33rd) (Actual)	Feb. 2019 Period (34th) (Actual)	Change	Oct. 15, 2018 (Revision of forecast)	Change	Feb. 20, 2019 (Revision of forecast)	Change
Operating revenue	32,685	30,680	-2,004	30,221	+459	30,533	+147
Operating expenses	18,813	17,577	-1,236	18,414	-836	17,700	-122
(Rent NOI excl. gain on sale)	22,129	21,676	-453	20,434	+1,241	21,450	+225
Operating income	13,871	13,103	-768	11,807	+1,295	12,833	+269
Non-operating revenue	2	2	+0	—	+2	1	+0
Non-operating expenses	2,228	1,999	-228	1,981	+18	2,022	-22
Ordinary income	11,645	11,105	-539	9,826	+1,279	10,813	+292
Net income	11,644	11,105	-539	9,825	+1,279	10,812	+292
Allocation to reserve	78	—	-78	—	—	—	—
Reversal of reserve	31	492	+461	1,772	-1,279	785	-292
Total distribution	11,597	11,597	—	11,597	—	11,597	—
Units outstanding	2,618,017 units	2,618,017 units	—	2,618,017 units	—	2,618,017 units	—
DPU	4,430 yen	4,430 yen	—	4,430 yen	—	4,430 yen	—
FFO per unit[1]	6,399 yen	6,363 yen	-36 yen	5,884 yen	+479 yen	6,258 yen	+105 yen
FFO pay out ratio[2]	69.2 %	69.6 %	—	75.3 %	—	70.8 %	—
Capital expenditures	1,390	1,940	+549	4,158	-2,218	2,173	-232
Maintenance	898	965	+67	2,004	-1,038	1,180	-214
Enhancement	492	974	+482	2,153	-1,179	992	-18
Repair expenses	1,099	779	-319	1,473	-693	823	-43
Total	2,490	2,720	+229	5,632	-2,912	2,996	-275
Depreciation	5,712	5,553	-159	5,581	-27	5,571	-17

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
2 Distribution per unit / FFO per unit
3 Million yen unless otherwise noted

February 2019 (34th) Period P/L Performance

Major factors behind change during Feb. 2019 (34th) Period (Compared to previous period)

(mn yen)

Operating revenues	**-2,004**
✓ Absence of gain on sales property in the previous period	-787
✓ Decrease in rent revenue related to disposed properties in the previous period	-693
✓ Increase in rent revenue related to newly acquired properties	+125
✓ Renewal downtime and absence of restoration costs received of KAWASAKI Le FRONT	-917
✓ Other properties (rent+80, utility charge received -94, card fee income +22, penalty income +108, others +151)	+267
Operating expenses	**-1,236**
✓ Absence of loss on sales property in the previous period	-184
✓ Decrease in expenses related to disposed properties in the previous period	-388
✓ Increase in expenses related to newly acquired properties	+23
✓ Decrease in expenses due to renewal of KAWASAKI Le FRONT	-561
✓ Increase in earthquake-related expenses	+296
✓ Other properties (BM fee +26, repair expense -55, utility charge -114, PM fee +33, card fee +14, other operating expense -146, loss on disposal of fixed assets -57)	-291
✓ Decrease in general administration fees	-128
Operating income	**-768**
✓ Decrease in interest payments, etc.	-228
Ordinary income	**-539**
Net income	**-539**

Major factors behind change during Feb. 2019 (34th) Period (Compared to the revised forecast as of Oct. 15, 2018)

(mn yen)

Operating revenues	**+459**
✓ Increase in rent revenue related to newly acquired properties	+125
✓ Increase in rent revenue and other income due to renewal of KAWASAKI Le FRONT	+66
✓ Other properties (rent -31, utility charge received -28, card fee income +17, penalty income +79, others +231)	+267
Operating expenses	**-836**
✓ Increase in expenses related to newly acquired properties	+23
✓ Postponement of a part of repair expenses at KAWASAKI Le FRONT, etc.	-618
✓ Decrease in earthquake-related expenses	-56
✓ Other properties (BM fee -26, repair expense -48, utility charge -20, PM fee +14, promotion expense -39, card fee +18, other operating expense -18, loss on disposal of fixed assets -18M, depreciation -22)	-158
✓ Decrease in general administration fees	-26
Operating income	**+1,295**
✓ Increase in interest payments, etc.	+15
Ordinary income	**+1,279**
Net income	**+1,279**

Major factors behind change during Feb. 2019 (34th) Period (Compared to the revised forecast as of Feb. 20, 2019)

(mn yen)

Operating revenues	**+147**
✓ Increase in temporary income(*) due to renewal of KAWASAKI Le FRONT	+38
✓ Other properties (rent -8, utility charge received -19, card fee income +11, penalty income +8, others +107)	+108
Operating expenses	**-122**
✓ Decrease in expenses due to renewal of KAWASAKI Le FRONT	-19
✓ Other properties (BM fee -27, repair expense -39, utility charge -21, PM fee +23, promotion expense -20, card fee +16, other operating expense -8M)	-76
✓ Decrease in general administration fees	-26
Operating income	**+269**
✓ Decrease in interest payments, etc.	-22
Ordinary income	**+292**
Net income	**+292**

* The income from interior contributions, interior supervision expenses and opening sales promotion expenses, etc. received from a newly tenants.

Forecasts for the Coming Two Periods

	Feb. 2019 Period (34th) (Actual)	Aug. 2019 Period (35th) (Forecast)	Change	Feb. 2020 Period (36th) (Forecast)	Change
Operating revenue	30,680	34,323	+3,642	29,878	-4,444
Operating expenses	17,577	20,616	+3,039	17,486	-3,130
(Rent NOI)	21,676	19,586	-2,089	20,904	+1,318
Operating income	13,103	13,706	+603	12,392	-1,314
Non-operating revenue	2	–	-2	–	–
Non-operating expenses	1,999	1,911	-87	1,788	-123
Ordinary income	11,105	11,794	+688	10,603	-1,190
Net income	11,105	11,793	+688	10,603	-1,190
Allocation to reserve	–	227	+227	–	-227
Reversal of reserve	492	31	-461	994	+963
Balance of reserve [1]	4,643	4,839	+196	3,845	-994
Total distribution	11,597	11,597	–	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 [2]	6,363 yen	5,546 yen	-817 yen	6,135 yen	+589 yen
FFO pay out ratio [3]	69.6 %	79.9 %	–	72.2 %	–
Capital expenditures	1,940	4,806	+2,866	5,729	+923
Maintenance	965	2,259	+1,293	2,353	+94
Enhancement	974	2,547	+1,573	3,376	+828
Repair expenses	779	2,311	+1,531	791	-1,519
Total	2,720	7,117	+4,397	6,521	-596
Depreciation	5,553	5,543	-9	5,459	-83

1 Balance of reserve after approval of distributions at the JRF board directors meeting for each period
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
3 Distribution per unit / FFO per unit
4 Million yen unless otherwise noted

Forecasts for the Coming Two Periods

Major factors behind change during Aug. 2019 (35th) period (Compared to actual for Feb. 2019 (34th) period)

(mn yen)

Operating revenues	**+3,642**
✓ Gain on sales properties (8953 Osaka Shinsaibashi Bldg. , AEON Sendai Nakayama)	+3,867
✓ Decrease in rent revenue related to disposed 3 properties	-161
✓ Contribution, in full, of rent revenue of acquired properties in previous period	+170
✓ Increase in rent revenue related to acquired m-city Kashiwa	+105
✓ Increase in rent revenue, decrease in other income due to renewal of KAWASAKI Le FRONT	-47
✓ Other properties (rent -77, utility charge received +73, received income from tenants +39, card fee income -28, penalty income -115, others -184)	-292
Operating expenses	**+3,039**
✓ Loss on sales property (Existing property)	+1,050
✓ Decrease in rent revenue related to disposed 3 properties	-23
✓ Contribution, in full, of expenses of acquired properties in previous period	+44
✓ Increase in expenses related to acquired m-city Kashiwa	+23
✓ Increase in expenses due to renewal of KAWASAKI Le FRONT	+1,958
✓ Other properties (property-related tax +52, BM fee -17, repair expense -164, utility charge +67, PM fee -89, card fee -25, commission paid -11, other operating expense +17, loss on disposal of fixed assets +41, depreciation -12)	-147
✓ Increase in general administration fees	+135
Operating income	**+603**
✓ Decrease in interest payments, etc.	-87
Ordinary income	**+688**
Net income	**+688**

Major factors behind change during Feb. 2020 (36th) period (Compared to forecast for Aug. 2019 (35th) period)

(mn yen)

Operating revenues	**-4,444**
✓ Absence of gain on sales properties in the previous period	-3,867
✓ Decrease in rent revenue related to disposed properties in the previous period	-915
✓ Contribution, in full, of rent revenue of acquired properties in previous period	+52
✓ Decrease in renewal downtime of KAWASAKI Le FRONT, etc.	+285
✓ Other properties (rent +164, utility charge received -68, penalty income -6, other operating expense -103)	+0
Operating expenses	**-3,130**
✓ Absence of loss on sales property in the previous period	-1,050
✓ Decrease in expenses related to disposed properties in the previous period	-435
✓ Contribution, in full, of expenses of acquired properties in previous period	+4
✓ Decrease in expense associated with renewal of KAWASAKI Le FRONT, etc.	-1,416
✓ Other properties (BM fee +65, repair expense -169, utility charge -68, PM fee +25, promotion expense +38, other operating expense -14, loss on disposal of fixed assets -55, depreciation +39）	-139
✓ Decrease in general administration fees	-101
Operating income	**-1,314**
✓ Decrease in interest payments, etc.	-123
Ordinary income	**-1,190**
Net income	**-1,190**

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February 2019 (34th) Period B/S Performance

	Aug. 2018 Period (33rd) (Actual)	Feb. 2019 Period (34th) (Actual)	Change
Total assets (1)	887,668	897,331	+ 9,663
Total liabilities	454,438	464,630	+ 10,191
Interest-bearing liability (2)	392,725	404,725	+ 12,000
Tenant leasehold and security deposits (3)	50,341	50,071	- 270
Net assets	433,229	432,701	- 528
LTV ((2)+(3)) / (1)	49.9 %	50.7 %	+0.8 points
LTV (2) / (1)	44.2 %	45.1 %	+0.9 points
Long-term borrowings ratio	100.0 %	98.2 %	-1.8 points
Fixed interest rate ratio	99.0 %	93.3 %	-5.7 points
Average debt cost	1.06 %	0.99 %	- 0.07 points
Number of properties	98 properties	101 properties	+3 properties
Aggregate acquisition price	888,675	905,735	+ 17,060
Unrealized profits and losses	+ 149,164	+ 156,981	+ 7,817
Book value	836,065	851,358	+ 15,292
Appraisal value	985,230	1,008,340	+ 23,110

<Reference: Balance of reserve>

Balance of reserve	5,136	4,643	- 492
Reserve for dividends	1,616	1,616	–
Reserve for reduction entry of property	476	15	- 461
Reserve for temporary difference adjustments	3,044	3,012	- 31

Major factor behind change during Feb. 2019 (34th) period (Compared to previous period)

(mn yen)

Total assets	**+9,663**
✓ Acquisition of new properties	+17,407
✓ Decrease in cash and bank deposits	-5,263
✓ Depreciation, loss on disposal of fixed assets	-5,625
✓ Capital expenditures	+1,940
✓ Increase in construction in progress account	+1,551
✓ Prepaid expense, long-term prepaid expense	-341
Total liabilities	**+10,191**
✓ Decrease in accounts payable - operating	-304
✓ Decrease in deposits received	-209
✓ Increase in interest-bearing liabilities	+12,000
✓ Decrease in tenant leasehold and security deposits	-270
✓ Consumption tax payable, etc.	-1,110
✓ Increase in current portion of asset retirement obligations	+124
Net assets	**-528**
✓ Decrease of retained earnings	-539
✓ Increase in reserve for dividends	+47
✓ Deferred gains and losses on hedges	-35

*Million yen unless otherwise noted

Notes on Page 21

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
2 Northern Osaka earthquake expenses and Hokkaido East Iburi earthquake expenses
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
4 Total of repair costs due to renewal, loss on disposal of fixed assets, and relocation compensation costs, etc.
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.
6 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
7 Calculated by the difference of total acquisition price of core assets acquired (including scheduled acquisition) since December 2018 and total acquisition price of sub assets disposed (including scheduled disposition) after Feb. 2019 (34th) period, converted to semi-annualized basis by multiplying 3.3% (NOI yield after depreciation) and divided it by the issued investment units at the end of each period
8 Figures added or deducted profit/loss on real estate to net income by adjusting the effects of renewal, temporary negative effects due to earthquakes etc., and temporary negative effects due to asset replacement

Think bold today for a brighter tomorrow.

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