

Think bold today for a brighter tomorrow.



34th

Security code **8953**

US ADR(OTC) : JNRFY

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



February 2019 (34th)

Period Results

September 1, 2018 ~ February 28, 2019

Japan Retail Fund Investment Corporation



Contents

1. Progress of New Medium-term Strategy..... P. 2
2. Operating Results P. 10
3. Financial Results and Forecasts..... P. 20

Progress of New Medium-term Strategy



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

Background



Population concentration in urban areas

Population in 2045¹:
Tokyo 23 wards +5%, Osaka central 6 wards² +19%



Inbound consumption are mainly in urban areas

Inbound consumption account for around 80% in three metropolitan cities



Suburban areas are more affected by EC

Suburban areas with low commercial convenience are likely to be affected by EC
More EC companies opening brick-and-mortar stores in urban areas



Increase in leisure time

Increase in leisure time due to aging society and reform in working practices
Time consumption needs in business areas, terminal stations, and residential area

Urban type assets growth forecast

Future growth factors

- ✓ **Increase in tenant opening needs**
 - Increase in number of consumers in urban areas
 - Expansion of total consumption in urban areas
- ✓ **Enhance showroaming value**
 - Increase in fluid population in urban areas
 - Expansion of advertising value in areas where people gather
- ✓ **More diverse uses of facilities**
 - Hotel, office and residence concentrate in urban areas
 - Facilities are used for variety of uses, especially in urban areas
 - Logistics function needs around station in residential areas

Future growth forecast⁴

Rent increase
from various rental needs

 **Increased DPU**

Asset value enhancement
from scarcity driven by tight supply

 **Enhanced NAV**

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)

³ RESAS-Analysis system of local economy, VISA Worldwide Japan

⁴ Future growth is not guaranteed

Redefine portfolio segments with a focus on urban type

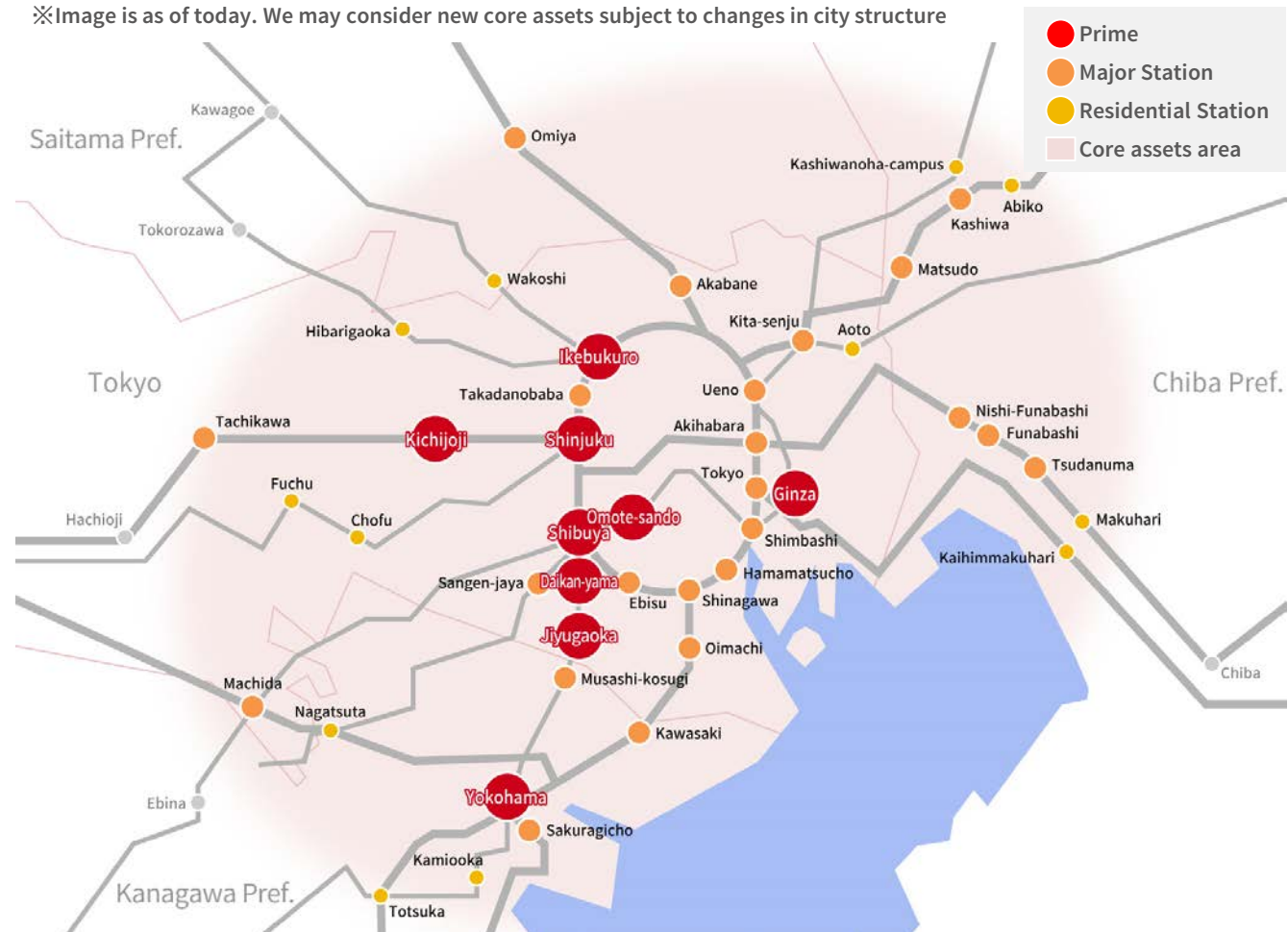
Define core assets as new urban type

New portfolio segmentation

Core	Prime
	Retail properties located in representative commercial districts in Japan
	Major Station
	Retail properties located around stations used by the large number of passengers
	Residential Station
	Retail properties located around stations in highly populated areas
Secondary core	Suburban Mall
	Large-scale shopping malls located in suburban areas
	Value-added
	High-yield retail properties with room for upside
Sub	GMS / Roadside
	GMS Roadside shopping facilities Assets with low investment profitability, etc.

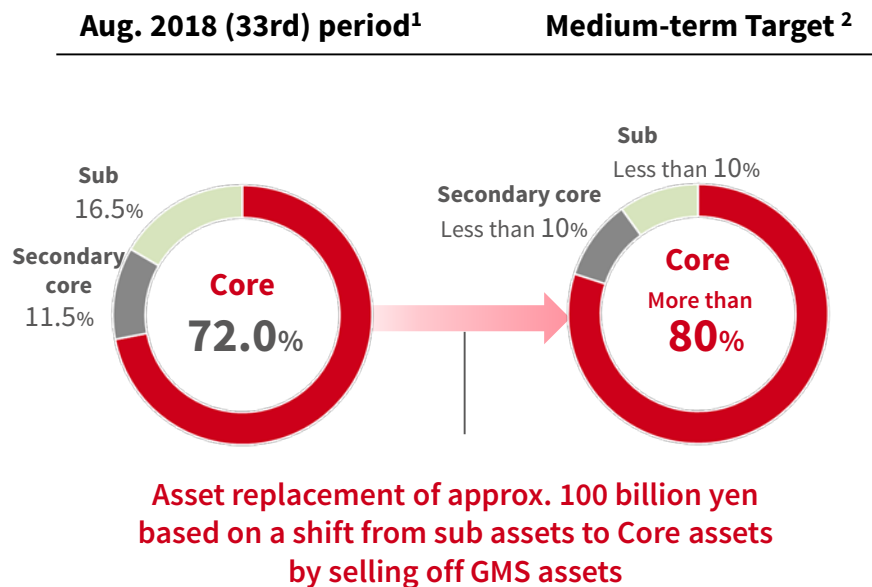
Example of core assets location (Tokyo area)

※Image is as of today. We may consider new core assets subject to changes in city structure



Successfully implemented asset replacement of sales of sub asset and acquisition of core asset as planned, and led to core asset ratio increase

Target of portfolio mix



Feb. 2019 (34th) period activities and results

Asset replacement

2 properties
4.8bn yen

Acquisition of core assets

- G-Bldg. Jingumae 08
- Round1 Stadium Kawasaki Daishi

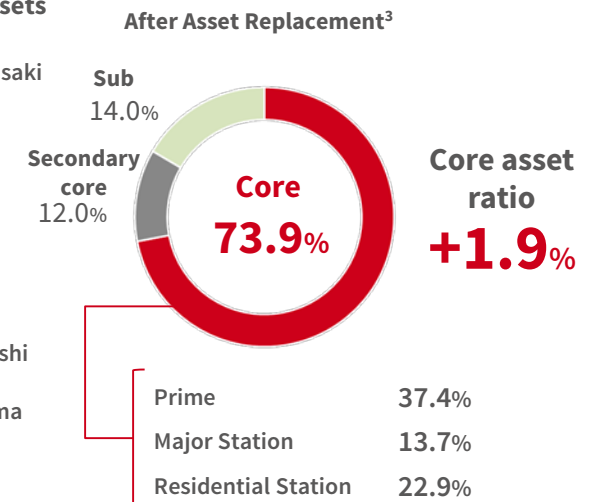
Asset replacement

2 properties
24.5bn yen

Sale of sub assets

- 8953 Osaka Shinsaibashi Building
- AEON Sendai Nakayama

Portfolio mix after Asset replacement



¹ Based on appraisal value as of the end of August 2018

² Represented by a medium-term target that is not guaranteed

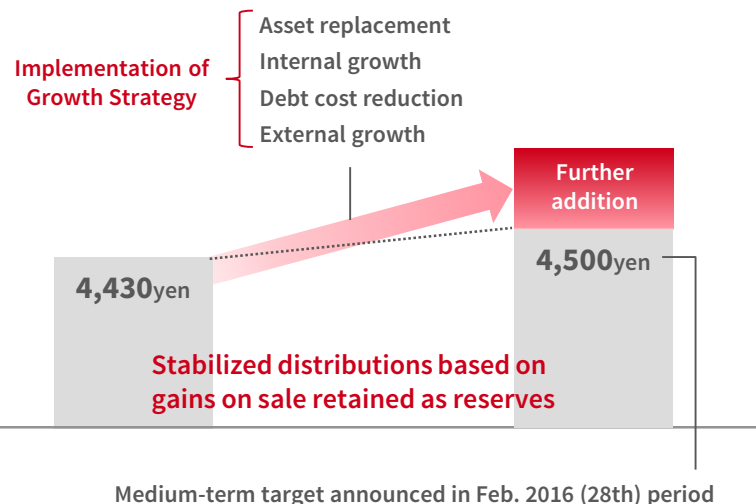
³ Based on appraisal value basis as of the end of February 2019. Added one secondary core asset to be acquired and subtracted 2 sub assets to be disposed from existing portfolio as of the end of February 2019

Growth strategy led to improvement in existing portfolio profitability Asset replacement let to great increase in reserve balance (vs previous forecast)

Target of distributions per unit

Aug. 2018 (33rd) period

Medium-term Target¹



Feb. 2019 (34th) period activities and results

Implementation of Growth Strategy

Asset replacement External growth

- Partial addition of large amount of gain on sales due to asset replacement to reserves
- Acquisition of G Bld. Minami Aoyama 03 by utilizing gain on sales from Ito-Yokado Kawasaki

Internal growth

- Rent increased by 11.7% (Rent gap² of -6.1%)
- Kawasaki Le FRONT renewal is on scheduled

Debt cost reduction

- Refinance of 37 billion yen
- Reduction of debt cost by 0.68%

Transition in distributions per unit and reserve balance

	Aug. 2018 (33 rd) period Actual	Feb. 2019 (34 th) period Actual	Aug. 2019 (35 th) period Forecast	Feb. 2020 (36 th) period Forecast
Distributions per unit	4,430yen	4,430yen No change ³	4,430yen No change ³	4,430yen
Reserve balance	5,136mn yen	4,643mn yen +1,279mn yen ³	4,839mn yen +3,304mn yen ³	3,845mn yen

If further gain on sales can be gained from future asset disposition,
Consider raising DPU

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

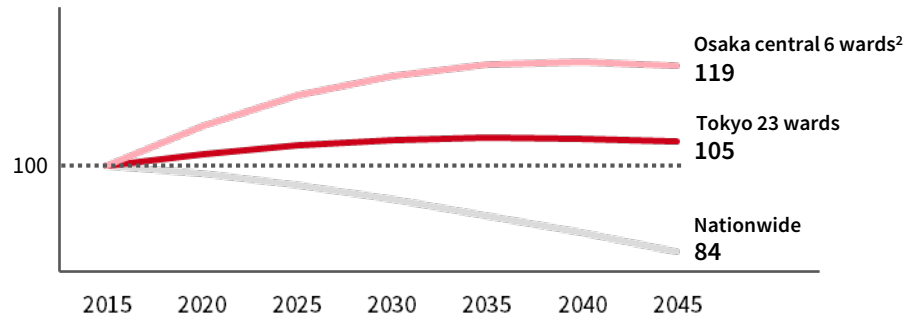
² The gap between the monthly rent of existing tenants and the market rent price specified in the appraisal reports. The monthly rents subjects are fixed-term leasing contracts in Core assets (Prime / Major station) that will be renewed after March 2019

³ Difference between forecast before asset replacement announced on October 15, 2018

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)

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 country³

	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

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

EC penetration rate forecast in Japan⁴

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

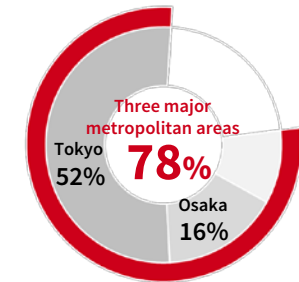
Inbound tourism

- 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 consumption⁵

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

Japan-bound tourists' consumption by prefecture⁶



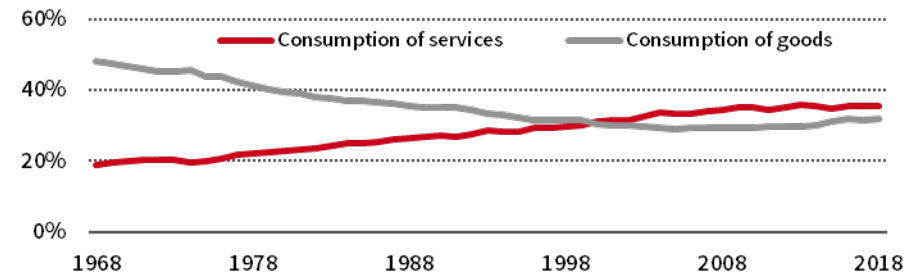
⁵ JNTO

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

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 consumption⁷



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

Asset

No. of properties **101** properties

Asset size¹ **905.7** bn yen

Appraisal value **1,008.3** bn yen

Unrealized gain² **156.9** bn yen

NOI yield³ **4.8%**

NOI yield after depreciation³ **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 capitalization⁴ **587.4** bn yen

NAV per unit⁵ **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



Operating Results

Sub asset sales in steady progress driven by strong sales market Core asset acquisition also in steady progress while continuing selective investment

Asset replacement during or after the Feb. 2019 (34th) period



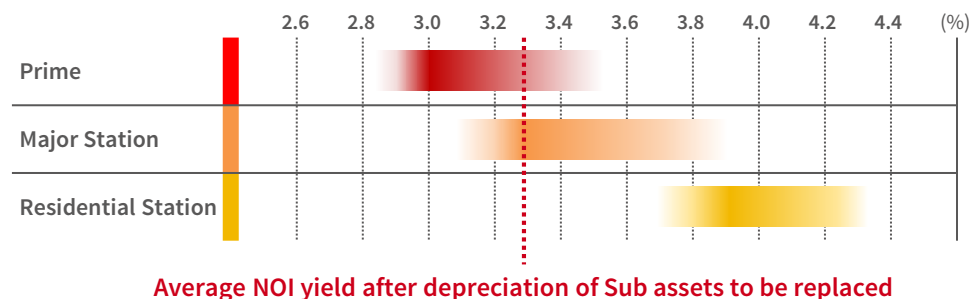
Strategy of asset replacement

View of asset replacement

	Sub assets to be replaced	Core assets
Building ratio	High	Low
Depreciation burden	Large	Small
NOI yield ²	4.7%	-
NOI yield after depreciation ²	3.3%	More than 3.3%

- ✓ Utilize difference in amounts of depreciation burden
- ✓ Maintain or improve a level of NOI yield after depreciation

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



¹ Acquisition or disposition is not guaranteed

² Calculated by dividing NOI/NOI after depreciation of assets to be replaced for the periods ended February 2018 (32nd period) and August 2018 (33rd period) based on the actual value or appraisal NOI (as of the end of August 2018), by the total acquisition prices

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 m² 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

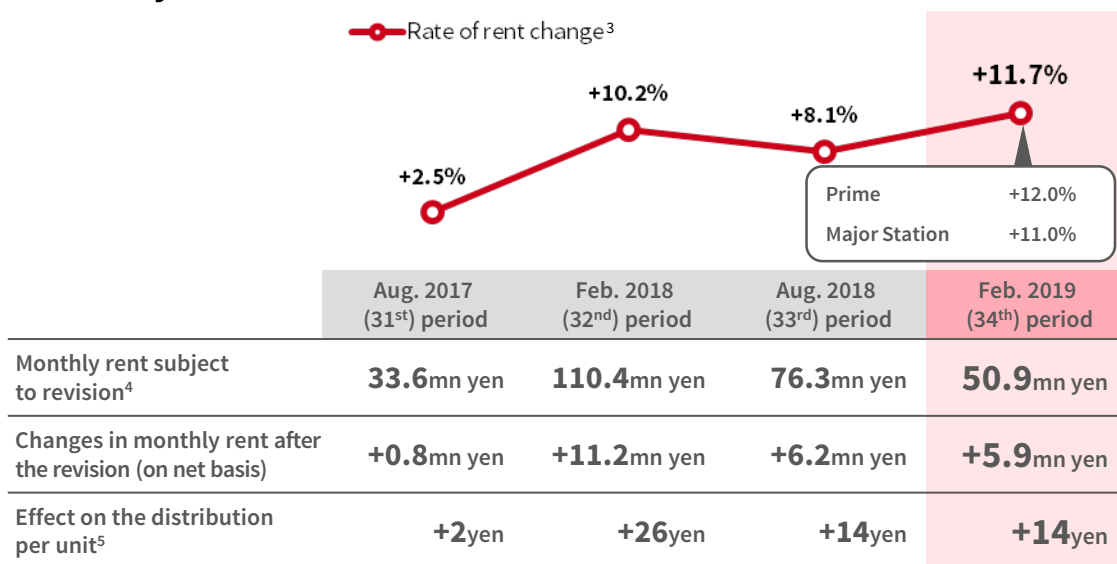
⁶ Aug. 2018 (33rd) period and Feb. 2019 (34th) period actual NOI, and actual depreciation cost deducted from actual NOI divided by acquisition price (10,200 million yen) as of disposition date

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

Summary of rent gap

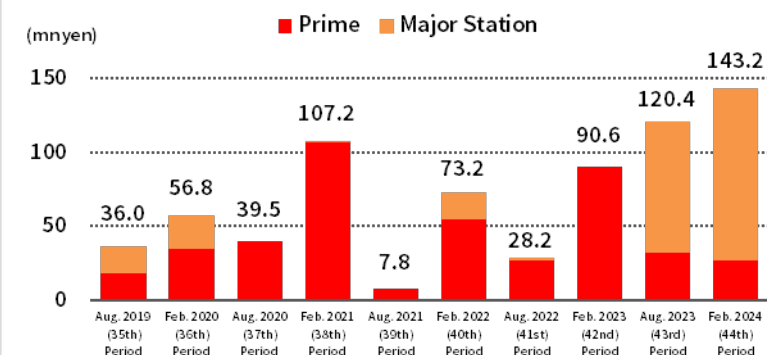
Rent gap of Core assets (Prime/Major Station) ¹	-6.1%
Effect to the distribution per unit due to rent gap resolved ²	+208yen

Summary of rent revisions

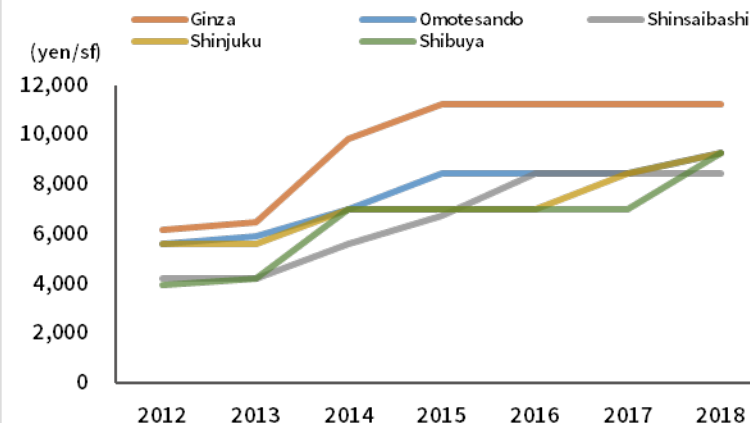


- The gap between the monthly rent of existing tenants and the market rent price specified in the appraisal reports. The monthly rents subjects are fixed-term leasing contracts in Core assets (Prime / Major station) that will be renewed after March 2019
- Semi-annualized the gap between the monthly rent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

Monthly rent subject to revision in the next 5 years⁴



Change in highest rents in major commercial districts⁶



Flexible measures according to types of assets and area characteristics

Tenant Relations

Attract a NY hamburger shop by direct approach



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



Creation of Atmosphere

Improvement of entrance environment aligned with facility environment concept "mozo park"



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



Promotion

Hold highly appealing wine event taking advantage of the seaside location

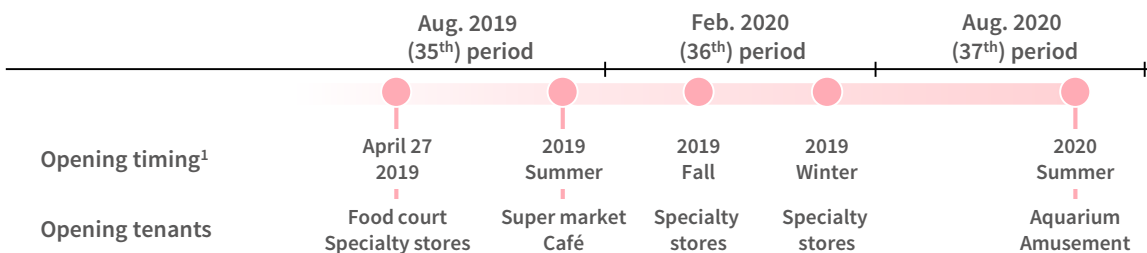


Show TV program advertising on walls and make the building itself a "show room"



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

Project schedule



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 (35 th) period	Feb. 2020 (36 th) period	Aug. 2020 (37 th) 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)

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 unit²

+48yen

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

	Aug. 2019 (35 th) period	Feb. 2020 (36 th) period	Aug. 2020 (37 th) period	Feb. 2021 (38 th) period	Aug. 2021 (39 th) 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 unit²

+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

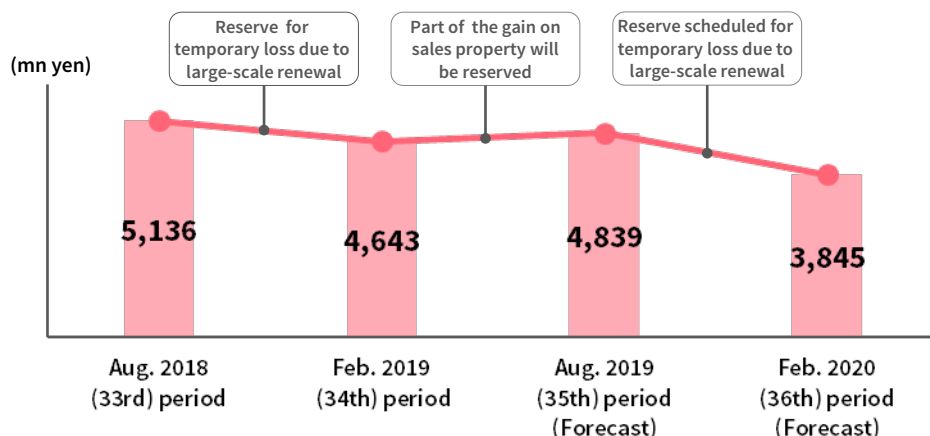
¹ Include loan-related costs etc.

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

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

Transition in reserve balance ^{1 2}



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

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 ³⁴	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

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

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 Rates¹

	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

Our continued efforts on ESG are highly appreciated

External party evaluations



1st

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



2nd

Among J-REITs

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

Inclusion in ESG indices as constituent



1st

Constituent among J-REITs

- 8 J-REITs are now selected as constituents
- GPIF announced that its passive management would track ESG indices including this index

Balance of GPIF's Unitholding

1st

Among holding J-REITs

- The market capitalization as of March 31, 2018: 5.07 billion yen
- JRF becomes a J-REIT claiming the largest share in the GPIF portfolio, rising from the 4th as of March 31, 2017
- The total amount of market capitalization in J-REIT as of March 31, 2018: 68.48 billion yen

Topic for fiscal period ended in February 2019 (34th) period



Received Green Bond related certificate

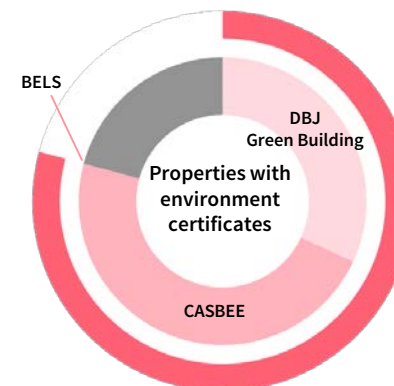
- Received Green Bond Award at “2018 Sustainable Finance Awards”
- Winner of Special Award “Principles for Financial Action for the 21st Century” in recognition of activities for Green Bonds issuance



Publication of ESG Report

- Published brief but comprehensive ESG Report describing ESG activities of MC-UBS Group, to share fundamental ideals and activities of ESG with shareholders

Environmental certification



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

Ratio of properties that acquired environmental certificates

79.2%



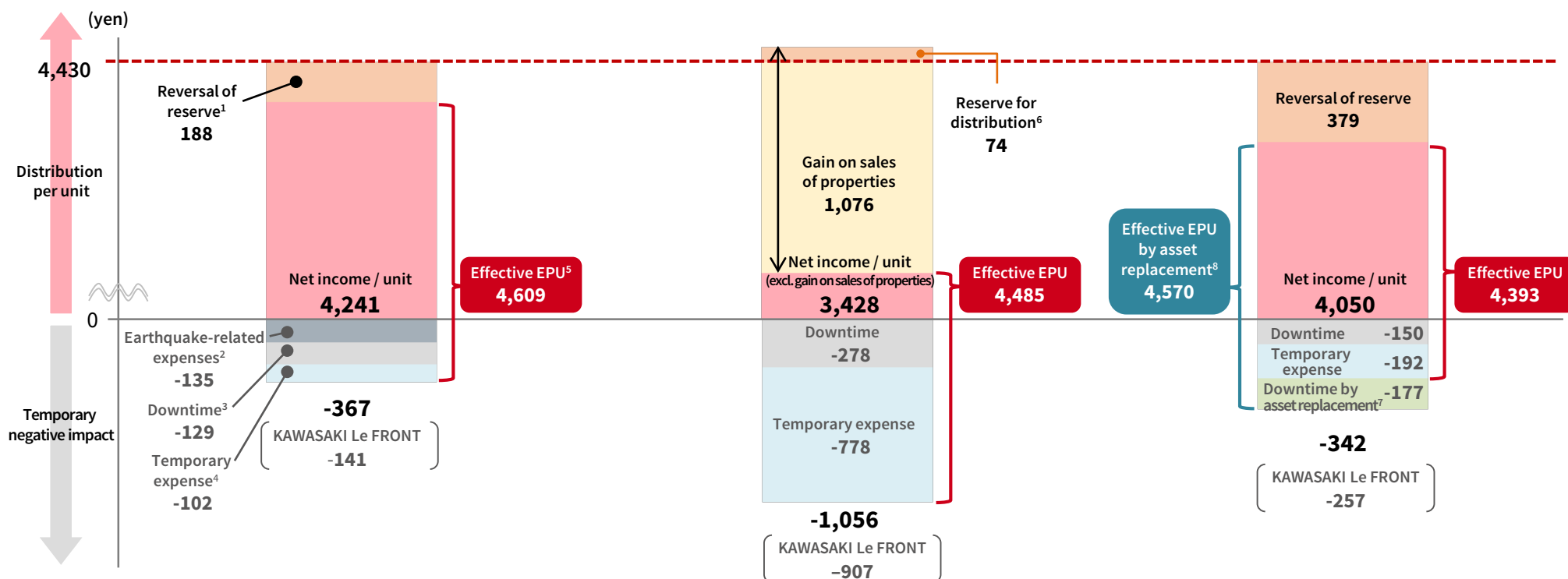
Objectives

More than 80% properties with environment Certificates



Financial Results and Forecasts

Distribution summary for Feb. 2019 (34th) period, Aug. 2019 (35th) period and Feb. 2020 (36th) period



Feb. 2019 (34th) period Actual

Distribution per unit **4,430**yen

<Key points>

- Decrease in rent revenue related to disposed 2 existing properties in previous period (33rd period)
- Acquisition of G-Bldg. Minami Aoyama 03 and other 2 properties
- Earthquake-related expenses
- Increase in downtime and expenses due to renewal of KAWASAKI Le FRONT

Aug. 2019 (35th) period Revised Forecast

Distribution per unit **4,430**yen

<Key points>

- Disposition of 8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama, and sales scheduled 1 property
- Nonrecoverable tax by disposition
- Increase in downtime and expenses due to renewal of KAWASAKI Le FRONT

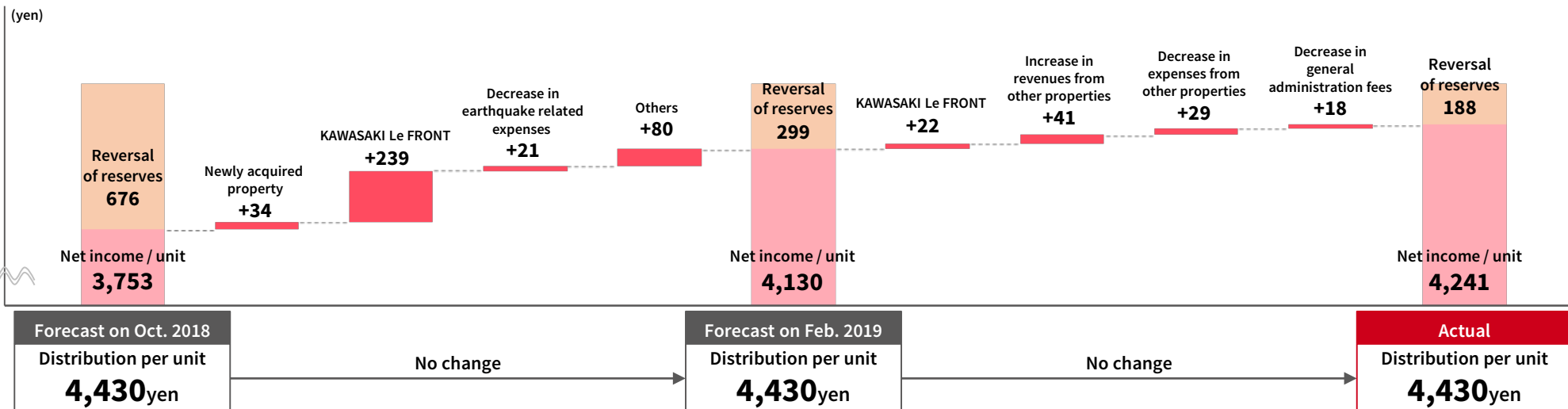
Feb. 2020 (36th) period Forecast

Distribution per unit **4,430**yen

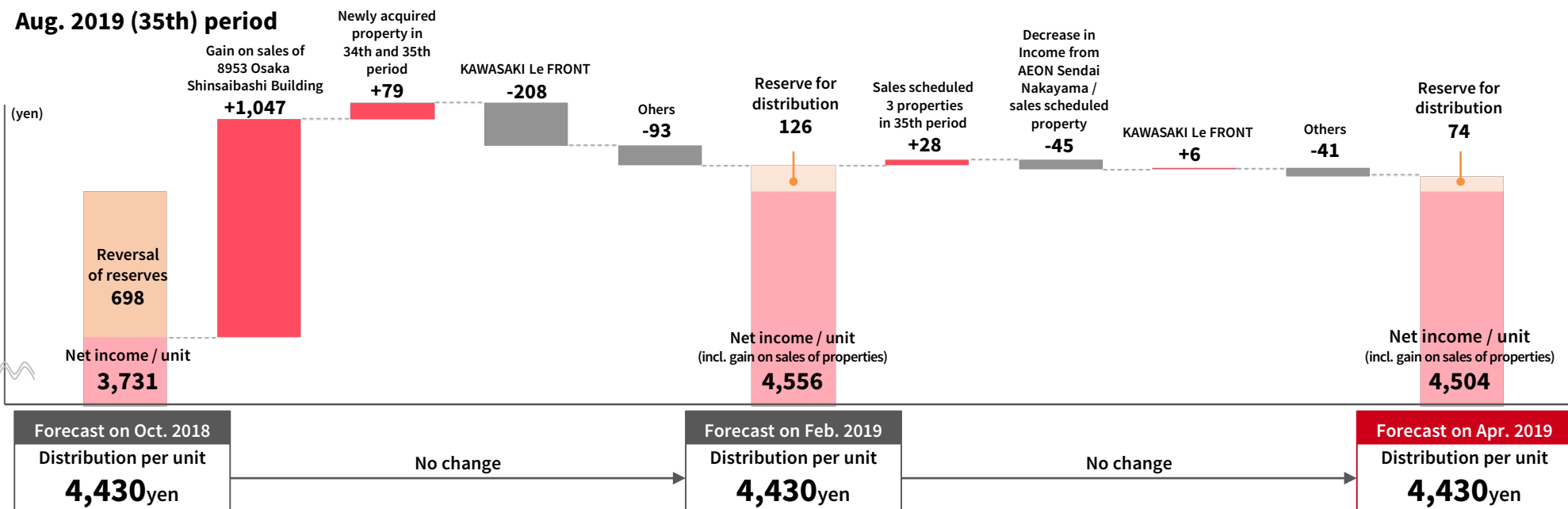
<Key points>

- Decrease in rent revenue related to disposed existing properties in Aug. 2019 (35th) period
- Decrease in downtime and expenses due to renewal of KAWASAKI Le FRONT

Feb. 2019 (34th) period



Aug. 2019 (35th) period



February 2019 (34th) Period P/L Performance

Japan Retail Fund Investment Corporation

	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

Japan Retail Fund Investment Corporation

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

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

February 2019 (34th) Period B/S Performance

Japan Retail Fund Investment Corporation

	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

- 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.



Japan Retail Fund Investment Corporation

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- 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.
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- 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.
- JRF is a publicly-offered real estate investment corporation (J-REIT) investing in real estate and related assets the prices of which may fluctuate. Unitholders of the Investment Corporation may suffer loss when unit prices decline in the market or an amount of distributions declines, according to economic and interest rate circumstances, a balance of supply and demand for units, real estate market environment, fluctuations of prices of, and rent revenues from real estate properties under management, disasters, aggravation of financial status of JRF and other reasons. For details, please see "Investment Risk" in the Securities Registration Statement (offering circular) and the Securities Report of JRF.

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)