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35th

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August 2019 (35th)

## Period Results

March 1, 2019 - August 31, 2019

Japan Retail Fund Investment Corporation

Welcome to this presentation of JRF's operating results for the 35th period, the six months from March 1, 2019 to August 31, 2019.

Before I begin, I would first like to express my sincere condolences to those affected by the recent typhoon that ravaged a large part of the nation. Our thoughts are with you as we hope for a full and speedy recovery.

Turning now to the principal topic at hand, I direct you to the "Contents" page. I will begin by commenting on the implementation of our growth strategy, 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.



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## Implementation of Growth Strategy

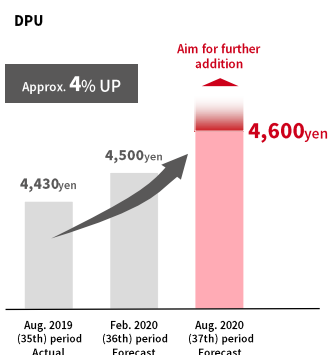
CUTE CUBE HARAJUKU



## Return to stage of DPU growth and significant improvement in the stability of DPU

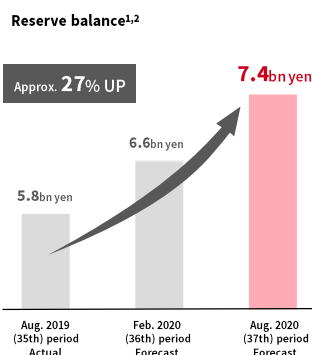
## Growth in DPU

Aim for further improvement through to increase revenue of existing properties and acquiring new properties



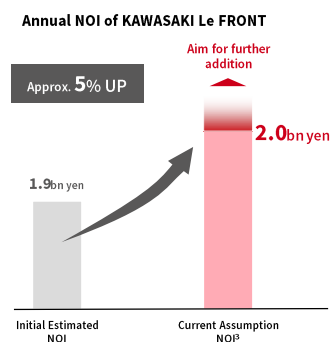
## Enhance stability of DPU

Elimination of DPU downside risks with significant increase in reserve



## Improve profitability in KAWASAKI Le FRONT

Aim for further NOI improvement with increasing visitors after the open of aquarium



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. Based on current renewal plan

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Here on this page, we identify three highlights of JRF's 35th period.

The first is distribution per unit, or DPU, growth. JRF's DPU has remained flat due to the impact of large-scale renewal work at KAWASAKI Le FRONT. This is in turn one factor behind the soft trend in JRF's investment unit price. As this renewal work comes to an end, DPU is again expected to enter a period of growth. In specific terms, DPU in the 37th August 2020 period is projected to climb 170 yen, or roughly 4%, compared with the 35th August 2019 period. Moreover, through contributions from new acquisitions and increases in revenue from existing properties, we will work diligently to further improve DPU going forward.

Second, are efforts to enhance DPU stability. Plans are in place to reinforce the balance of JRF's reserves to around 7.4 billion yen as of the 37th August 2020 period. In this manner, we are looking to establish a structure that is capable of significantly eliminating DPU downside risks.

Third, is the focus on improving profitability at KAWASAKI Le FRONT. Thanks largely to the results of steady leasing, net operating income, or NOI, is anticipated to reach 2 billion yen on an annual basis. This is approximately 0.1 billion yen higher than initially estimated. Contributions following the opening of the aquarium have not been factored into these figures. Accordingly, we will aim for further improvements in NOI in line with the increase in sales-based rent for the facility as a whole once the aquarium has commenced operations.

As you can see from each of these highlights, JRF's immediate term performance is extremely bright.

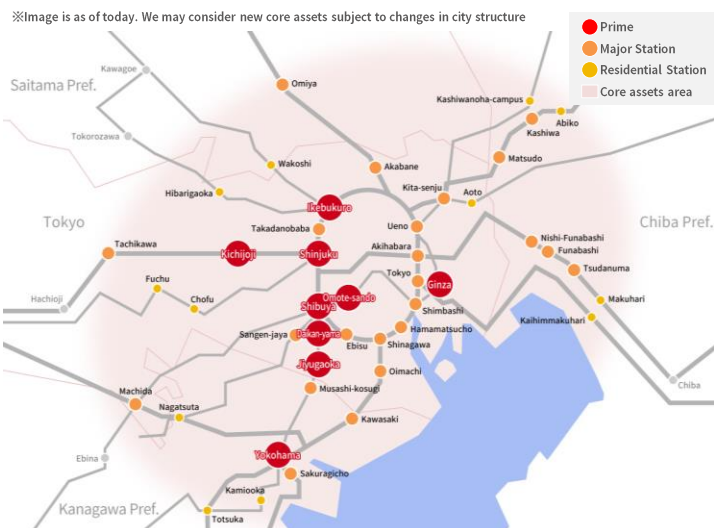
Directing your attention to pages 4 and 5, I would like to elaborate on the progress made under our asset replacement strategy.

## Building a portfolio with a focus on urban type assets, mainly Core assets

### Portfolio segmentation

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

### Example of core assets location (Tokyo area)

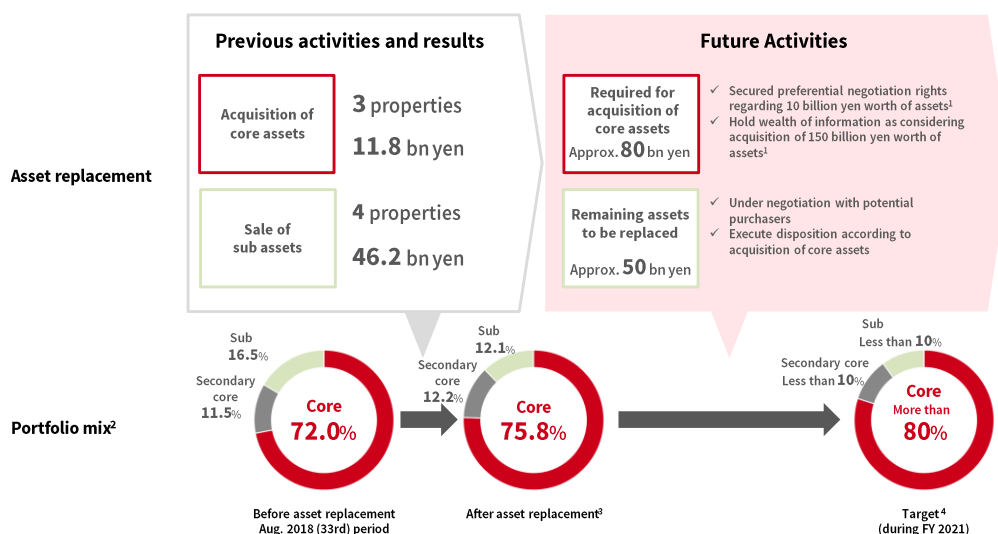


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In line with its medium-term strategy, announced in autumn last year, JRF is working to lift its current portfolio ratio of urban type properties, which it has positioned as “Core” assets. To this end, we are working diligently to replace “Sub” assets with “Core” assets.

It is once again important to understand the objective of this asset replacement strategy. Retail properties continue to evolve beyond the simple sale of goods to serve as places for people to gather and spaces for a wide range of enjoyment. Against this backdrop, JRF is focusing on urban type assets that allow it to harness its inherent strengths and the ability to attract people. On this basis, the objective is to further stabilize its portfolio while putting in place an asset structure with high growth potential.

## Progress of asset replacement strategy of approx. 100 billion yen from sub asset to core asset as planned



<sup>5</sup> Please refer to page 32 for the notes to this page

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As indicated here on page 5, JRF has set the goal of lifting the ratio of “Core” assets to more than 80% of its portfolio as a whole under its asset replacement strategy. In order to achieve this goal, we are focusing mainly on eliminating our exposure in and holdings of general merchandise stores. With this in mind, we are undertaking the replacement of “Sub” assets with “Core” assets to the tune of approximately 100 billion yen.

As far as our performance to date is concerned, JRF has acquired 3 “Core” assets at an acquisition price of 11.8 billion yen while deciding to implement the sale of 4 “Sub” assets totaling 46.2 billion yen. As a result, the ratio of “Core” assets is projected to come in at 75.8%, up 3.8 percentage points compared with the level prior to asset replacement strategy implementation.

JRF is making steady progress in its acquisition activities as a part of efforts to achieve its asset replacement strategy target. We have secured preferential negotiation rights over assets worth 10 billion yen and are proceeding smoothly toward acquisition.

Moreover, we maintain a wealth of information, with assets under consideration worth roughly 150 billion yen. Moving forward, we will actively pursue the acquisition of properties that will allow us to enhance both quality and profitability through asset replacement.

While some of you may have concerns regarding the acquisition of assets, JRF is a leading player in the domestic retail property purchase market. In addition to a proven track record and top-class ability to gather information, we enjoy the support of our sponsor. We do not dismiss the current tight nature of the acquisition market. Drawing on a wealth of information, as well as our retail management capabilities and the ability to put forward a variety of structure proposals, however, we believe there remains ample room to acquire assets.

Turning to the disposition of “Sub” assets, we estimate a remaining balance of approximately 50 billion yen. We have already identified several candidate buyers and are engaged in specific negotiations. Looking ahead, we will undertake the disposition of assets based on our acquisition status.

Meanwhile, we intend to channel any gain on sales to the payment of distributions. This also reflects the pending conclusion of the reserve system.

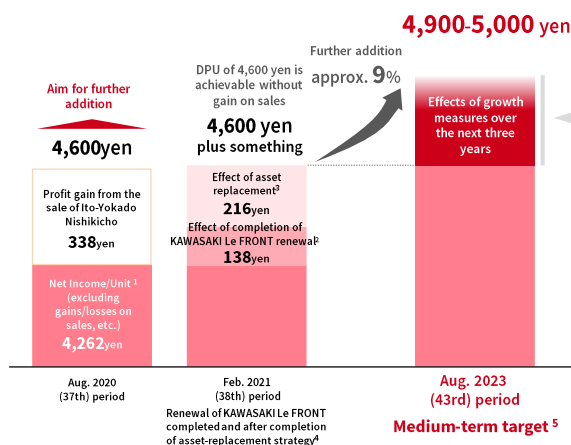
As we look to the future, JRF will steadily undertake the replacement of assets while endeavoring to further enhance the quality of its portfolio.

Moving on, I would like to touch briefly on our new medium-term DPU target. Please turn to page 6.



## Medium-term target for normalized DPU is approx. 5,000 yen

### Medium-term targets for normalized DPU



### Room for growth in normalized DPU for 3 years from Aug. 2020 (37th) period

#### Room for growth of approx. 300 - 400 yen

Room for growth from Feb. 2021 (38th) period to Aug. 2023 (43rd) period

Effect to the DPU<sup>6</sup>

<b>Internal growth</b>	<ul style="list-style-type: none"> <li>Resolving of 3-year rent-gap<sup>6</sup> (50% to 100%)</li> <li>Upside from opening of the aquarium at KAWASAKI Le FRONT<sup>7</sup></li> </ul>	<b>+50-120 yen</b>
<b>Debt cost reduction</b>	<ul style="list-style-type: none"> <li>Refinance of fixed borrowing that become due during the three years with interest ratio of 0.5-0.7%</li> </ul>	<b>+80-120 yen</b>
<b>Free cash utilization</b>	<ul style="list-style-type: none"> <li>Annual free cash<sup>8</sup> 6 billion yen x 3 years x NOI yield after depreciation: 3.0%-3.7%</li> </ul>	<b>+90-120 yen</b>
<b>Other cost reduction</b>	<ul style="list-style-type: none"> <li>Decrease in depreciation expenses due to termination of depreciation</li> <li>Other cost reduction measures</li> </ul>	<b>+50-70 yen</b>

<sup>15</sup> Please refer to page 32 for the notes to this page

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After outlining plans during the previous presentation to achieve a DPU target of 4,500 yen in the 36th February 2020 period JRF set and publicly announced its new maximum medium-term target of 5,000 yen.

After excluding loss on sales and other factors in the 37th August 2020 period, earnings per unit, or EPU, is forecast to come in at 4,262 yen. Taking into account the normalized effect of renovations at KAWASAKI Le FRONT, together with the partial impact of acquisitions that precede the replacement of assets, EPU is projected to move above 4,600 yen. Based on the aforementioned, JRF maintains the ability to pay a DPU in excess of 4,600 yen even without the incidence of a gain on sales.

Looking further down the road, we expect a resolution to the rent gap over the next 3 years. This and the positive flow-on effect of the aquarium opening at KAWASAKI Le FRONT is anticipated to have a positive impact on DPU of between 50 and 120 yen. Leveraging our top-class ability to procure funds within the JREIT sector, coupled with refinancing endeavors, we plan to reduce debt costs. This is in turn expected to boost DPU by 80 to 120 yen. Moreover, we intend to utilize our free cash flow to fund the acquisition of new properties. With a balance in excess of 10 billion yen as of the end of the 35th August 2019 period that continues to grow, we estimate free cash and the acquisition of new properties will lift DPU by 90 to 120 yen. Finally, the impact of other cost reductions, most notably the decrease in depreciation expenses attributable to the termination of depreciation

for properties held for more than a decade is projected to push up DPU by between 50 and 70 yen. Taking into account the cumulative effect of each of these factors, DPU is forecast to climb roughly 300 to 400 yen.

Based on the aforementioned, we have added this 300 to 400 yen forecast to our medium-term DPU target. As such, we have set the new target of between 4,900 and 5,000 yen. With a base of 4,600 yen, this translates to a maximum improvement in DPU of around 9%.

Compared with REITs that operate within other sectors and fields, the prospects of retail property REIT DPU growth are said to be limited. As indicated on this page, however, JRF maintains various sources of DPU growth. Looking ahead, we believe there is more than ample room for JRF to substantially lift its DPU.

**Strong execution of growth strategy to improve performance of investment unit prices****1****Enhancement of  
portfolio quality**

Aim to achieve a core  
asset ratio of 80% or more  
by executing asset  
replacement strategy

**2****Increase in  
normalized DPU**

Room for approx. 9%  
growth from 4,600 yen

**3****High stability of  
DPU**

Eliminate downside risk  
of DPU with ample  
reserve of 7.4 billion yen

**Aim to improve the performance of investment unit prices**

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Here on page 7, we provide a summary of efforts aimed at improving our investment unit price.

Currently, JRF's investment unit price is trending slightly above net asset value, or NAV, per unit levels. While exhibiting a robust performance over the most recent one month, JRF's investment unit price has significantly underperformed the Tokyo Stock Exchange Real Estate Investment Trust Index since the beginning of the year.

In addition to the substantial headwinds encountered by the retail sector, we believe that the current low growth potential of JRF's DPU is a major factor.

To first address the substantial headwinds encountered by the retail sector, we are building a portfolio comprised largely of "Core" assets in locations that attract people. Making the most of our unique capabilities to draw in substantial customer traffic, we are engaging in portfolio management that will allow us to coexist in an era of e-commerce expansion while securing growth potential.

As far as distributions are concerned, we are working to lift normalized DPU from 4,600 yen to a maximum of 5,000 yen by implementing a wide range of growth strategies.

In addition, JRF maintains substantial reserves totaling approximately 7.4 billion

yen. We will consider applying a portion of these reserves to eliminate DPU downside risks.

Naturally, we are far from satisfied with our current investment unit price.

As I have commented, we will make every effort to improve the quality of our portfolio, increase normalized DPU, and further stabilize distribution levels. At the same time, we will endeavor to reinforce JRF's inherent growth potential and stability. Through these means, we will look to enhance our standing within the market and lift the performance of our investment unit price.

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

## Financial highlights of Aug. 2019 (35th) period

Japan Retail Fund Investment Corporation

### Asset

No. of properties	<b>100</b> properties
Asset size <sup>1</sup>	<b>883.2</b> bn yen
Appraisal value	<b>994.1</b> bn yen
Unrealized gain <sup>2</sup>	<b>161.4</b> bn yen
NOI yield <sup>3</sup>	<b>4.5%</b>
NOI yield after depreciation <sup>3</sup>	<b>3.2%</b>

The temporary negative impact of the renewal of KAWASAKI LeFRONT has pushed the overall NOI yield and the NOI yield after depreciation by approximately 0.5%

### Debt

Interest-bearing debt	<b>404.7</b> bn yen
LTV ratio (excluding tenant leasehold and security deposits)	<b>44.9%</b>
LTV ratio (including tenant leasehold and security deposits)	<b>50.3%</b>
Average debt cost	<b>0.92%</b>
Average loan term remaining until maturity	<b>4.3</b> years

### Equity

Market capitalization <sup>4</sup>	<b>556.5</b> bn yen
NAV per unit <sup>5</sup>	<b>223,000</b> yen
Distribution per unit	<div>Aug. 2019 (35<sup>th</sup>) period</div> <div><b>Actual</b></div> <div><b>4,430</b>yen</div>
	<div>Feb. 2020 (36<sup>th</sup>) period</div> <div><b>Forecast</b></div> <div><b>4,500</b>yen</div>
	<div>Aug. 2020 (37<sup>th</sup>) period</div> <div><b>Forecast</b></div> <div><b>4,600</b>yen</div>

1. Total acquisition price
2. Appraisal value at the end of period—Book value at the end of period
3. Aug. 2019 (35th) actual figures on an annualized basis divided by acquisition price
4. As of the end of August 2019
5. (Net assets + Unrealized profits and losses - Total distribution) / Total units outstanding



## Operating Results



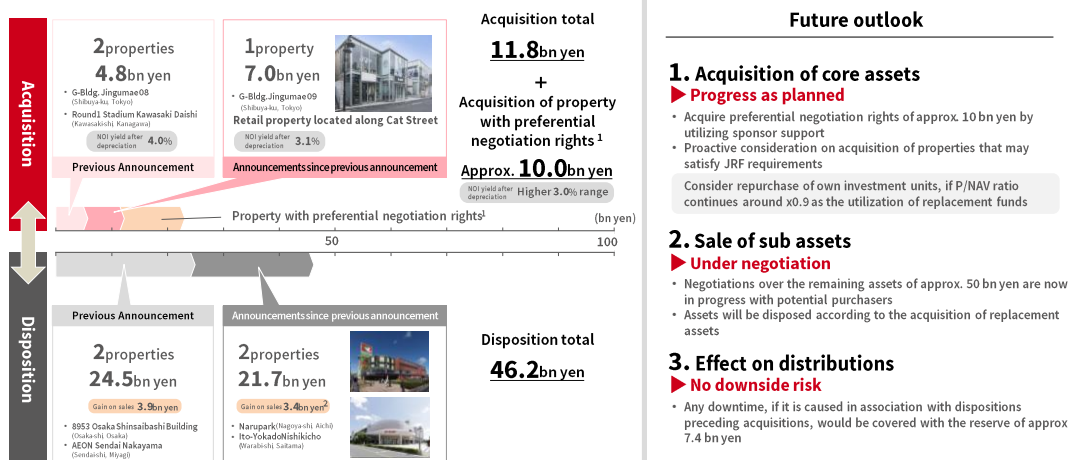
G-Bldg. Sangenjaya 01

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.

## Steady progress in asset replacement and enter into substantive negotiations over next acquisition and disposition

### Progress of asset replacement



1. As of October 11, 2019, Acquisition is not guaranteed

2. Gain on sale of real estate and other properties related to 85% quasi-co-ownership of real estate trust beneficiary interest of Ito-Yokado Nishikicho scheduled to be transferred or transferred after the fiscal period ending August 2019 (35th) period is assumed to be the current value

First, we continue to make steady progress with efforts to replace assets totaling 100 billion yen initiated from the previous period.

As a part of efforts to dispose of “Sub” assets, focusing mainly on general merchandise stores, and after announcing details of the disposition of Narupark and Ito-Yokado Nishikicho during the current period, steps have been taken to finalize the sale of 4 properties including the 8953 Osaka Shinsaibashi Building and AEON Sendai Nakayama for a total disposition price of 46.2 billion yen. As a result, we have successfully realized a gain on sale of 7.3 billion yen.

From a “Core” urban type asset acquisition perspective, JRF completed the purchase of G-Bldg. Jingumae 09, a multi-tenant property located in the Omotesando-Harajuku area, one of Japan’s leading retail districts, for 7 billion yen in the 35th period. Utilizing the partial support of its sponsor, JRF also secured preferential negotiation rights over a property totaling roughly 10 billion yen with an average NOI yield after depreciation of between 3.5 and 3.9%.

JRF has completed approximately half of its plan to dispose of replacement “Sub” assets totaling 100 billion yen. We have already identified candidate buyers for the remaining 50 billion or so yen, and are engaging in specific negotiations. As the gap between the amounts of preceding dispositions and acquisitions narrows, we will consider the disposal of additional assets.



Commenting on the impact that asset replacement is having on DPU, we are currently progressing steadily with efforts to dispose of the full 100 billion yen plan at the earliest possible opportunity. However, in the event of any downtime attributable to the prior disposition of assets, we will apply portions of the roughly 7.4 billion yen held as reserves to offset a decline in DPU.

Next, I would like to elaborate further on the replacement of assets, and in particular the acquisition of urban type “Core” assets. Please turn to page 12.

## Examination on many candidate properties for core assets, in addition to investigation external growth for further growth

### View of asset replacement

Aim to enhance the portfolio quality, as well as maintaining and increasing the level of normalized DPU

Sub assets to be replaced	Asset replacement	Core assets
High	Building ratio	Low
Large	Depreciation burden	Small
4.7% <sup>1</sup>	NOI yield	Around 4%
3.3% <sup>1</sup>	NOI yield after depreciation	3.3% or more

Maintenance and improvement of NOI yield after depreciation directly linked to distribution

	Levels of NOI yield after depreciation of newly-acquired Core assets
Prime	2.8%-3.6%
Major Station	3.0%-4.0%
Residential Station	3.4%-4.4%

**Aiming for asset replacement with NOI yield after depreciation of 3.3% or more by combining each category**

### Status of consider acquisition for properties<sup>2</sup>

Gather wealth of property-related information from widespread sources, as the No.1 retail property acquirer in Japan

	Amount of projects consider acquisition for property
Prime	Approx. 80bn yen
Major Station	Approx. 60bn yen
Residential Station	Approx. 10bn yen

Total amount of consider acquisition  
**Approx. 150bn yen**

#### Study of other measures for external growth

- ✓ Acquiring a new type of retail properties to the portfolio
- ✓ Active involvement in development projects
- ✓ Investments in equity and mezzanine loans
- ✓ Acquisition of Value-added types assets in Secondary core assets

<sup>1</sup> 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  
<sup>2</sup> As of October 11, 2019. Acquisition is not guaranteed

The goals of our asset replacement strategy are to enhance the quality of our portfolio while maintaining and increasing the level of normalized DPU. To these ends, we are aiming for the replacement of “Sub” assets with “Core” assets that exhibit NOI yields after depreciation of more than 3.3%. As indicated in the table at the bottom left of the page, we are looking to undertake the acquisition of urban type “Core” assets in each of the three categories to skillfully achieve a combined NOI yield after depreciation of more than 3.3%. In addition to NOI yield after depreciation, we will also carefully consider NOI yield. In this regard, we will continue to acquire real estate at an appropriate value.

Turning to the acquisition status of properties under consideration, we are harnessing our position as the No. 1 retail property purchaser in Japan, while continuing to gather a wealth of property-related information. In specific terms, we are currently considering the acquisition of assets based on information held for properties located in prime, major station and residential station areas amounting to roughly 80 billion yen, 60 billion yen and 10 billion yen, respectively, for a total of approximately 150 billion yen. Thanks largely to this wealth of information, we are also able to consider new and additional methods for property acquisition. This contributes greatly to efforts aimed at procuring properties. Looking at concrete examples, this access to abundant information helps in the acquisition of new types of retail properties, investments in equity and mezzanine loans and active involvement in development projects. As a result, we are well positioned in our property acquisition and other activities.

As I am sure you are all well aware, JRF's investments are geared heavily toward urban type assets. Directing your attention to page 13, I would like to again comment on the strengths and features of these urban type "Core" assets located in the three prime, major station and residential station areas.

## Core assets' strengths enabling steady growth under Japan's future commercial environment

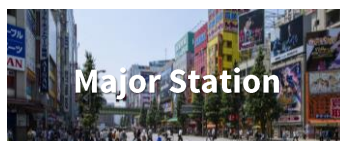


**Market rent on the rise because of low vacancy rate and high tenant opening needs**

Market trends in prime areas

	Increase rate of highest rents <sup>1</sup> (2013-2018)	Vacancy Rate <sup>2</sup> (2019 Q2)
Ginza	+11.7%	1.2%
Omotesando	+9.5%	1.0%
Shinjuku	+10.5%	—
Shibuya	+17.1%	—
Shinsaibashi (Osaka)	+14.9%	1.5%

- Demand for variety of uses concentrating on rentable spaces in facilities
- Benefit from expanding inbound consumption
- Enhance showrooming value



**Strength in the abundance number of floating passengers backed by the world's largest number of train station passengers**

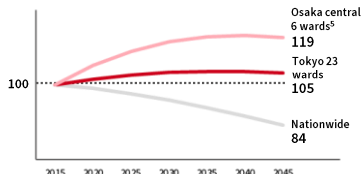
Comparison of number of passengers at terminal stations<sup>3</sup> (10 thousand)

	Number of passengers		Number of passengers
Tokaidanobaba	93	Times Square	36
Akihabara	76	Kings Cross	27
Ueno	64	Zürich HB	47
Kawasaki	55	AmsterdamCS	19
Machida	52	Paris-Nord	85

- Increasing trend in the number of floating customers around terminal stations
- Strong purchasing at brick-and-mortar stores due to high commercial convenience
- Ability to meet wide-ranging consumption needs including daily necessities and services



**Stable contribution from increase in consumers due to population concentration in suburban to urban areas**

Population outlook for Japan (2015=100)<sup>4</sup>

- Continued strong needs for consumption of foods and daily necessities
- Ability to meet leisure time consumption needs
- Potential needs for e-commerce logistics hub

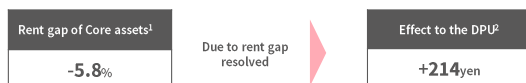
<sup>1</sup> Please refer to page 32 for the notes to this page

First, and as you can see from the table at the left side of the page, the rates of increase of the highest rents for properties located in prime retail areas including Ginza and Omotesando have risen steadily between 2013 and 2018. This largely reflects the concentration of demand for multi-use rentable spaces. At the same time, properties in this area continue to benefit from expanding inbound consumption. Properties located in and around major stations maintain a competitive advantage thanks to an abundance of floating passengers backed by the world's largest number of train station commuters. The appeal of major stations is also attributable to the concentration of retail properties underpinned by strong purchasing at brick-and-mortar stores due to high commercial convenience. Finally, the residential station area is defined by its population concentration within 30 minutes of such major business districts as Tokyo and Osaka. Expectations are high that daily consumption needs will remain robust in residential station areas owing to population growth over the long term.

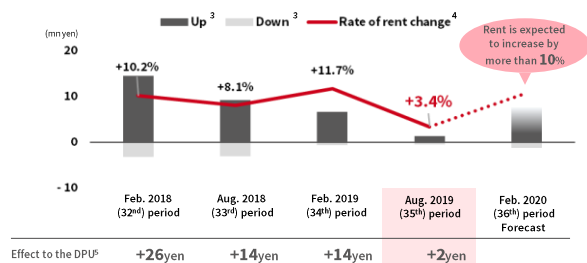
Please turn to page 14.

## Leveraging rent gap and the favorable leasing market, continue to achieve rent increases

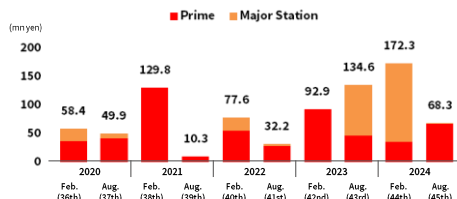
### Summary of rent gap



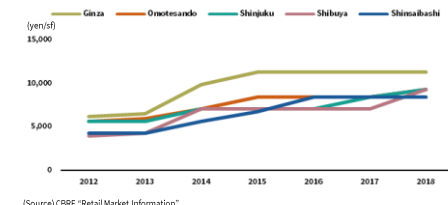
### Summary of rent revisions



### Monthly rent subject to revision in the next 5 years<sup>6</sup>



### Change in highest rents in major commercial districts



<sup>5</sup> Please refer to page 32 for the notes to this page

Rents at urban type “Core” assets, the focus of JRF’s investment, continue to increase steadily.

Within these urban type “Core” assets, the rent gap between the market and properties currently held by JRF in prime and major station areas is 5.8%. Successful efforts to resolve this rent gap will have a positive impact on DPU of 214 yen.

The graph provided by CBRE Group, Inc. at the bottom right of the page tracks trends in major commercial districts where there is an incidence of substantial rent gap. As you can see, rents continue to increase in such areas as Shinjuku and Shibuya while hovering at a high level in other commercial areas. Moreover, CBRE is projecting that rents along the main street in Ginza will once again enter a period of growth in 2019. Taking into consideration these rent trends in commercial areas, JRF continues to engage in favorable negotiations with tenants of urban type “Core” assets.

Turning to the status of rent revisions in specific terms, I direct your attention to the graph at the bottom left of the page. On an overall basis, rent revisions from the 32nd to 34th periods, produced an average increase of 10%. The average for the 35th period came in at 3.4% and is expected to exceed 10% on an average basis in the 36th period.

## Leasing utilizing area management

Achieving rent increase two properties in Omotesando/ Aoyama areas in which JRF owns many properties, by attracting the tenant that leasing contract expire to another JRF property



<sup>1/2</sup> Please refer to page 33 for the notes to this page

## Rent revisions in Core assets (Residential Station)

Achieving rent increase by improving the ability in attracting customers into facilities, though there is no local market rent as an indicator

### Revision results for Aug. 2019 (35<sup>th</sup>) period

Subject to revision	Rate of rent change <sup>2</sup>	Effect to the DPU <sup>4</sup>
46 Tenant	+ 10.8%	+ 18yen

### Example of rent increase<sup>3</sup>



As indicated at the left side of page 15, JRF leveraged its numerous retail holdings throughout Omotesando and Aoyama to elicit the relocation of popular tenants to 2 properties in the same area. In this manner, successful steps were taken to secure substantial increases in rent. At the same time, JRF is working to utilize its growing area expertise built on the back of ongoing dominant investment in such areas as Omotesando and Aoyama as well as Shinsaibashi, Midotsuji and other Kansai areas to boost its property and leasing management.

While as previously indicated, urban type “Core” assets in prime as well as major station locations are exhibiting notable increases in rent, concrete measures have been taken to improve rents through the collective replacement of tenants at mozo wonder city, Kamishin Plaza and other properties located in areas around residential stations as indicated at the right side of the page. During the 35<sup>th</sup> period in particular, JRF revised the rents of 46 tenants. This included adjustments to the terms and conditions of 33 tenants at mozo wonder city. These initiatives have positively impacted DPU to the tune of 18 yen.

Meanwhile, revisions to “Secondary Core” and “Sub” assets for the most part remained unchanged.

Commenting briefly on the progress of renewal work at KAWASAKI Le FRONT, I ask that you turn to page 16.

## Approx. 100 million yen NOI increase from initial forecast, with aiming for further increase with opening of aquarium

### Current renewal effects

NOI is expected to increase by approx. 100 mn yen from initial forecast, and NOI yield is expected to increase by 0.3% from initial forecast due to steady progress in tenant leasing

	Annual NOI	NOI-yield <sup>1</sup>
Before renewal <sup>2</sup>	1.9bn yen	6.2%
Initial (forecast)	1.9bn yen	6.2%
Current (forecast) <sup>3</sup>	2.0bn yen	6.5%



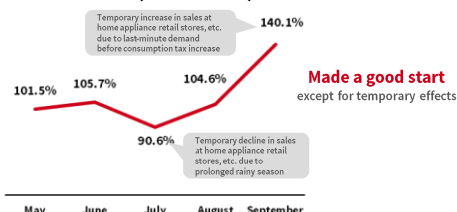
Upside for sales-based rents brought by visitor increase associated with opening of aquarium<sup>4</sup>

Est. Sales	Annual NOI increase	DPU increase (per period)
105%	+34mn yen	+6yen
110%	+70mn yen	+13yen
115%	+107mn yen	+20yen

Effect to the DPU<sup>5</sup>  
(vs. initial forecast)

Up to +39yen

### Current sales<sup>6</sup> (vs. forecast)



### Characteristics of tenants



<sup>5</sup> Please refer to page 33 for the notes to this page

After 27 tenants progressively commenced operations mainly on the second floor food court from the end of April 2019, the Life supermarket opened its doors on the first floor in August. Entering the final stages in the leadup to renewal work completion in summer next year, JRF is enjoying a higher than anticipated return on investment.

Specifically, rent terms and conditions for several tenants have exceeded initial projections. As a result, NOI is projected to increase 0.1 billion yen on an annual basis compared with original expectations, with NOI yield forecast to improve from 6.2% to 6.5%.

Moreover, the potential exists for a further upswing in sales-based rent on the back of an increase in visitors following the opening of the aquarium scheduled for August next year. In the event of this upswing in sales-based rent, NOI is projected to increase an additional 0.1 billion yen on an annual basis. This is in turn forecast to push up DPU by a maximum of 39 yen for a normalized period compared with initial expectations.

Directing your attention to the graph at the top right of the page, we provide details of total facility sales compared with forecasts. As you can see, sales are robust, climbing roughly 5% after excluding the impact of such temporary factors as the prolonged rainy season and last-minute demand before the consumption tax rate hike.

As far as the composition of tenants is concerned, and in addition to food and restaurant outlets as well as the e-commerce showroom, the ratio of tenants that provide services as opposed to products such as the centerpiece aquarium is increasing. In this manner, JRF is tailoring the management of the facility to changes in consumption trends.

Please turn to page 17.



## Realized rent increase by creating unique space, and actively utilize IT technology

### Restaurant floor renovation of GYRE

**Achieved approx. 30% rent increase<sup>1</sup> by creating unparalleled and unique atmosphere at restaurant floor**

**GYRE** (Shibuya-ku, Tokyo)

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

#### Creating unique spaces <sup>2</sup>

- One concept for one floor, with the inspiration drawn from "soil"
- Mr. Tsuyoshi Tane, a noted architect, is in charge of space design

#### Collaboration of young famous chef, popular bar owner, and distinguished chef

- Project set up purely for the restaurant floor of GYRE

#### Gathering of various types of eating and drinking spaces into one floor

- Restaurant floor that is able to cater to various needs from casual to luxury occasions



Food concept	Floor plan	Floor concept
Ryoma Shida "Restaurant ESQUISSE" Former sous chef	Kai Tanaka Lemonsourbar "OPEN BOOK" Owner	Yuri Nomura Food director "Restaurant Eatrip" Host

Gastronomy restaurant	All-day dining restaurant
Bar	Souvenir & Glossary

### Utilization of IT technology

**Utilize IT technologies for analysis, management and motivation to attract more people, and building a foundation for future revenue growth**

#### Visualizing the flow of people

Analyze the flow of people by utilizing the GPS locator installed in smartphones

▶ **Optimization of tenant composition**

#### Considering the introduction of JRF application

Establish a new loyalty program that is common to all JRF facilities, by integrating existing programs and introducing it to facilities without such program

▶ **Increase in visit frequency enhanced branding**

#### Standardization of sales management system

After acquiring the sales management system introduced before acquisition in multi-type commercial facilities

▶ **Manage tenant information across properties**

<sup>1</sup> The difference between the monthly rent of the previous tenant and the monthly rent of the new tenant

<sup>2</sup> This is an indicative rendering and may differ from the actual development

Here on this page, I would like to provide another example of JRF's efforts to harness its management capabilities and to realize an increase in rent at urban type "Core" assets.

With the aim of completing renewal work by the end of the year, full-scale renovations of the 4th floor restaurant area are underway at GYRE, a flagship urban type "Core" retail property located in Omotesando. In line with ongoing efforts to put in place a tenant profile that appeals to highly sensitive consumers, the distinguished architect, Tsuyoshi Tane, as well as renowned chefs and cooking specialists were invited to participate in the projected launch of a unique one-floor concept restaurant space.

Based on the aforementioned, rents for the 4th floor restaurant area are forecast to climb approximately 30% on a normalized basis.

Turning to the right side of the page, we lay out ways in which we are using IT to analyze, manage and attract both consumers and tenants. In this manner, we are working to build a foundation for future revenue growth. In concrete terms, we will employ the GPS locator installed in smartphones to identify and analyze the flow of people in specific areas and within the retail facility. Among a host of other initiatives, we are considering the introduction of a unique mobile application that is common to all JRF facilities and the standardization of sales management systems of large-scale multi-type properties.

In particular, through the introduction of this unique mobile application mainly at large-scale multi-type commercial properties, we expect to alleviate the burden of customers holding existing plastic membership cards. The application will also facilitate the analysis of visitor data and allow among other things the distribution of advertising and promotion information to customers. We anticipate this will then lead to an increase in the frequency of visits while strengthening branding endeavors.

Next, I would like to comment on JRF's financial strategy. Please turn to page 18.

## Drive debt cost reduction significantly, leveraging best debt financing capability among J-REITs

### Refinance activities

#### Refinancing activities (Apr.2019 – Oct.2019)

	Before	After	
Amount	34,000mn yen	34,000mn yen	Effect to the DPU <sup>2</sup>
Avg. term	5.1 years	5.8 years	<b>+40yen</b>
Avg. debt cost <sup>1</sup>	0.94%	0.31%	

### Debt procurement capability

#### Recent Debt Procurement Results

	Avg. term	Avg. debt cost <sup>1</sup>	
Investment corporation bonds	5.0years	0.20%	<b>Achieved financing at the lowest interest rates in the J-REIT history<sup>3</sup> in both the bonds and bank loan</b>
Bank loan	10.0years	0.27%	

#### Borrowings maturing within 8 periods (Long-term fixed borrowing only) (As of Oct. 2019)

	Feb. 2020 (36 <sup>th</sup> ) period	Aug. 2020 (37 <sup>th</sup> ) period	Feb. 2021 (38 <sup>th</sup> ) period	Aug. 2021 (39 <sup>th</sup> ) period	Feb. 2022 (40 <sup>th</sup> ) period	Aug. 2022 (41 <sup>st</sup> ) period	Feb. 2023 (42 <sup>nd</sup> ) period	Aug. 2023 (43 <sup>rd</sup> ) period
Amount	8,000mn yen	23,000mn yen	21,575mn yen	17,000mn yen	17,000mn yen	21,000mn yen	14,500mn yen	22,000mn yen
Avg. term	8.0 years	8.0 years	8.5 years	8.4 years	8.6 years	8.3 years	8.4 years	7.5 years
Avg. debt cost <sup>1</sup>	1.01%	1.00%	1.16%	1.12%	1.21%	1.11%	1.06%	0.86%

Refinancing at 0.6% to 0.7% based on the announced budget

If refinanced at 0.6%, effect to the DPU<sup>4</sup>

**+104yen**

<sup>1</sup> Please refer to page 33 for the notes to this page

Based on the credit standing of both the Fund and the Group, JRF continues to leverage its sector-leading debt procurement capabilities while vigorously reducing debt costs.

In June this year, JRF issued its second series of green bonds at an interest rate of 0.2%. Steps were also taken to procure bank borrowings for a fixed term of 10 years and an interest rate of 0.27% in September. In each case, this is an historical low rate of interest for the JREIT sector.

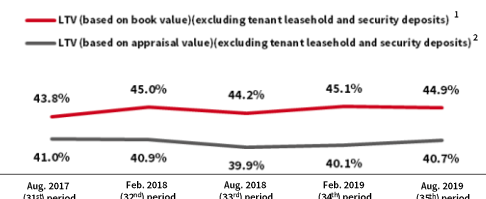
Even on a conservative basis, the refinancing of debt at an interest rate of 0.6% over the 6 periods, or 3 years, from the February 2021 period, is projected to increase DPU by 104 yen.

Please turn to page 19.

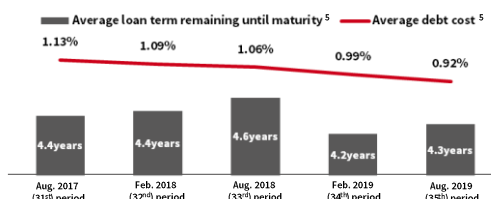
## Building of stable financial base on a continuous basis

### LTV

LTV (based on book value) benchmark is from 40% to 50%

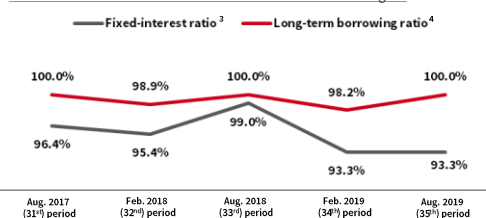


### Average debt cost / Average loan term remaining until maturity



### Fixed-interest ratio / Long-term borrowing ratio

The ratio of fixed interest rate debt needs to be 90% or higher



### Credit ratings<sup>6</sup>

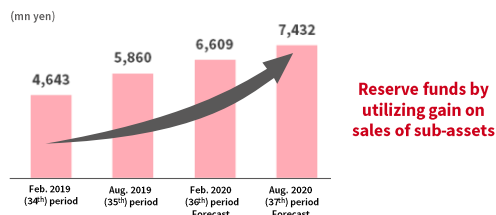
R&I	AA- (Stable)
S&P Global Ratings	A (Stable)
Moody's	A3 (Stable)

<sup>6</sup> Please refer to page 33 for the notes to this page

JRF continues to engage in management that focuses on the establishment of an ongoing and stable financial base. As you can see from the graph at the top left of the page, JRF maintains a stable loan-to-value, or LTV, ratio. At the same time, JRF continues to steadily reduce its average debt cost as indicated in the graph at the top right of the page.

Next, I would like to touch briefly on JRF's reserves and cash management. Please turn to page 20.

## Accumulate reserves and use free cash for acquiring new properties

Transition in reserve balance<sup>1,2</sup>

## 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

## Utilization of free cash

**Free cash balance<sup>3</sup>**  
As of the end of Aug. 2019 (35<sup>th</sup>) period

**Approx. 10bn yen**  
(Excluding funds for replacement assets<sup>5</sup>)

Future free cash<sup>4</sup>

## Past utilization

Reinvestment in large-scale renewal plans at existing properties

No large-scale renewal planned at the moment

## Future utilization

## Used to acquire new properties

When a property with 3.3% NOI yield after depreciation is acquired leveraging annual free cash of 6 billion yen

Effect to the DPU<sup>6</sup>

**+36yen**

<sup>5</sup> Please refer to page 33 for the notes to this page

One of JRF's strengths is its abundant reserves. Owing to the disposition of Ito-Yokado Nishikicho over the 36th and 37th periods, JRF is expecting to post a substantial gain on sale and further increase its reserves. JRF is of course in the process of employing its reserves to implement its asset replacement strategy in an effort to further stabilize DPU. Among a number of options available, we also plan to utilize reserves to offset any downtime attributable to the active replacement of tenants in order to secure an increase in rents.

Directing your attention to the right side of the page, we highlight another inherent strength. JRF also leads the JREIT sector in its ability to generate free cash.

The balance of JRF's free cash already stood at roughly 10 billion yen as of the end of the August 2019 period. Plans are in place to generate substantial free cash totaling 6 to 7 billion yen annually going forward.

To date, this free cash has largely been used for reinvestment in large-scale renewal plans at existing properties. On completion of renewal work at KAWASAKI Le FRONT, however, there are no plans to undertake large-scale renewal activities for the foreseeable future. As a result, JRF's free cash can be used to acquire new properties. Application of free cash in this manner is projected to have a positive effect on DPU of 36 yen per period. Depending on the pace at which new properties are acquired, the potential exists to establish a cumulative DPU growth

effect each period.

Please turn to page 21.

## Change to Asset Management Fee structure linked to unitholder's profit

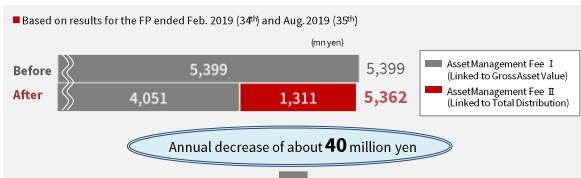
### Points of change in Asset Management Fee structure

#### Changes that increase the linkage between distributions and asset management fees

- ✓ Reduce the Gross Asset Value-linked fee rate
- ✓ Introduce the Profit-linked fee linked to distributions
- ✓ Introduce the Disposition Fee to promote asset replacement more powerfully (No Disposition Fee shall be paid in the case of a capital loss from disposition)

### Asset Management Fee estimates retroactively calculated based on new rates

(Total amount of Asset Management Fee I and Asset Management Fee II, not including Acquisition Fee and Disposition Fee)

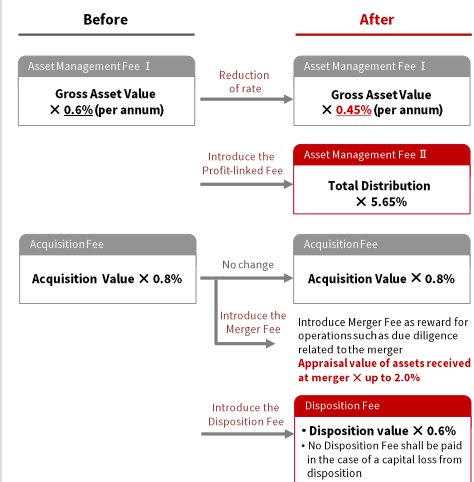


By adopting a fee structure in which amount of asset management fees is linked to total distribution,  
**Strengthen asset managers' commitment to distribution growth**

※ Please refer to page 34 for the notes to this page

### <Overview of changes in Asset Management Fee structure<Note>

Scheduled to be applied from Mar. 1, 2020 (beginning of the Aug. 2020 period (37th))



In conjunction with our announcement of JRF's 35th period results the other day, we issued a press release in connection with plans to change the structure of our asset management fees. This change is conditional upon the approval of unitholders at the General Meeting scheduled this November.

Currently, asset management fees are largely linked to gross asset value. In specific terms, gross asset value is multiplied by a specified rate. The main point of the proposed change is to link compensation to profits and in particular trends in DPU and to lower the rate of gross asset value compensation.

In this manner, we hope to put in place an asset management fee structure that increases the level of same boat affinity with investors by ensuring that movements in asset management fees mirrors movements in DPU. This in turn is expected to bolster the commitment to securing DPU growth.

After adjusting on the basis of DPU results, asset management fees for the February 2019 and August 2019 periods decrease by around 40 million yen annually.

Meanwhile, we also plan to introduce disposition as well as merger fees. In the event of a capital loss on disposition, however, a disposition fee will not be paid. While JRF continues to undertake the flexible replacement of assets, the goal is to focus on sales that also benefit investors at the time of future disposition.

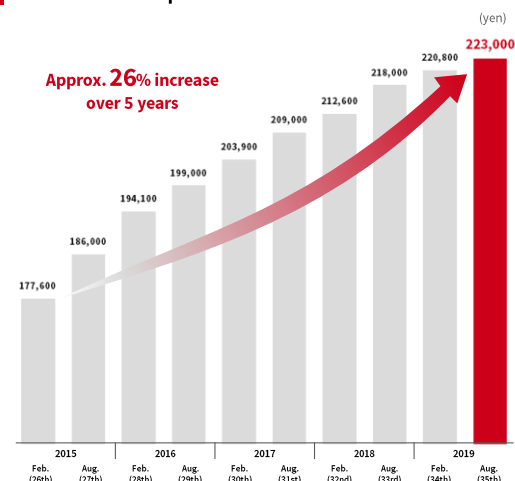
## One of the largest pools of unrealized gain among J-REITs of approx. 160 billion yen, and continued increase in NAV per unit

### Breakdown of appraisal value

	Appraisal value	Unrealized profits and losses
Prime	380,660 mn yen	66,444 mn yen
Major Station	136,340 mn yen	26,503 mn yen
Residential Station	226,820 mn yen	38,074 mn yen
Core	743,820 mn yen	131,021 mn yen
Secondary core	119,530 mn yen	18,169 mn yen
Sub	130,770 mn yen	12,287 mn yen
<b>Total</b>	<b>994,120 mn yen</b>	<b>161,477 mn yen</b>

Unrealized profits and losses increased by 4.4 billion yen

### Transition of NAV per unit<sup>2</sup>



### Breakdown of Cap Rates<sup>1</sup>

	Feb. 2019 (34th) period	Aug. 2019 (35th) period	Change
Prime	3.30 %	3.27 %	- 0.03 points
Major Station	4.45 %	4.42 %	- 0.03 points
Residential Station	4.98 %	4.96 %	- 0.02 points
Core	4.04 %	4.00 %	- 0.04 points
Secondary core	5.37 %	5.34 %	- 0.03 points
Sub	4.94 %	5.01 %	+0.07 points
<b>Total Ave.</b>	<b>4.34 %</b>	<b>4.30 %</b>	<b>- 0.04 points</b>

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

<sup>2</sup> 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

Here on page 22, I would like to comment briefly on appraisal values and NAV per unit.

JRF maintained one of the largest pools of unrealized gains among JREITs of 161.4 billion yen in the August 2019 period. This was 4.4 billion yen higher than the previous period.

In addition, the CAP rate for JRF's portfolio as a whole continues to decline.

Based on the aforementioned, NAV per unit continues to increase, climbing 26% over the past 5 years.

Changing tack, I would like to comment on JRF's efforts to address environmental, social and governance, or ESG, concerns. Please turn to page 23.



## Our continued efforts on ESG are highly appreciated

### Largest J-REIT inclusion of ESG investors



**2nd**

Constituent among J-REITs

- 9 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, 2019: 4.92 bn yen

### Issue green bonds at the lowest interest rate in J-REIT history<sup>1</sup>

#### The 2nd JRF Green Bonds

Total amount to be issued	7 bn yen
Redemption term	5 years
Interest rate	0.200%
Rating	AA-

Create approx. three times the demand

Lowest interest rate in J-REIT history

### Highest rank "Green Star" for five consecutive years in GRESB



Score	Green Star (Highest)
Rating	★★★★ (5 star scale)
Public Disclosure Level	A (Highest)

### Achieve the objective of 80% or more of environmentally certified properties

BELS certification	1 property
CASBEE real estate evaluation	13 properties
DEJ Green Building	19 properties

Ratio of properties that acquired environmental certificates<sup>2</sup>  
**80.1%**

#### Objectives

Maintain 80% or more properties with environment certificates

1. As of October 11, 2019  
2. As of the end of August, 2019

(Note) The inclusion of JRF in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of JRF by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI, and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

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

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JRF remains committed to vigorously engaging in ESG activities. Based on these wide-ranging activities, the Investment Corporation is held in high acclaim.

As one of its principal initiatives, JRF is working diligently to ensure that each of its properties acquires environmental certification. As indicated at the bottom right of the page, environmentally certified properties as a ratio of the portfolio as a whole came to 80.1% in the current period allowing the Investment Corporation to achieve its target.

Meanwhile, JRF received the highest Global Real Estate Sustainability Benchmark, or GRESB, Green Star rating for a 5th consecutive year. The Investment Corporation also positioned second among JREITs included in the MSCI Japan ESG Select Leaders Index, and captured the top ranking among all JREIT issues held by the Government Pension Investment Fund.

In June of this year, JRF issued a second series of green bonds. In addition to a redemption term of 5 years, these green bonds carry an interest rate of 0.2%. This is an historic low for the JREIT sector.

Moving on, I would like to provide details of JRF's financial results and forecasts.

Before commenting on the impact of Typhoon 19 of the other day, I would like to offer my heartfelt sympathy to the victims of this disaster.

As Typhoon 19 made land fall on Saturday the 12th, multiple properties either temporarily closed or shuttered their doors early.

As far as the properties in our portfolio are concerned, I am pleased to announce that there were no incidents that threatened people's lives. In overall terms, the damage was minor with low levels of water leakage at several properties as well as damage to some signs and fences.

All of the facilities in our portfolio resumed operations on Sunday the 13th. While some work will be undertaken to repair damages caused by, for example, water leakage, JRF is covered both by repair contingencies as well as insurance. As a result, the impact on operations for the 36th period will be limited.

Please turn to page 26.

## Financial Results and Forecasts

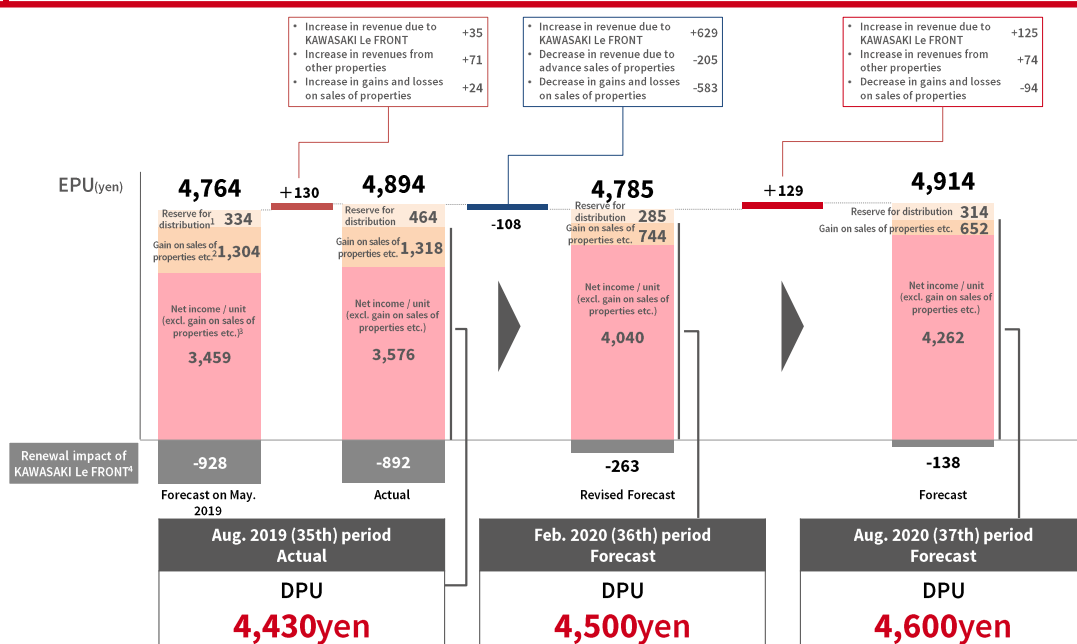
Summit Store Nakano Minamidai





## Financial Summary

Japan Retail Fund Investment Corporation



<sup>55</sup> Please refer to page 34 for the notes to this page

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Here on this page, we provide a summary of the Investment Corporation's DPU for the 35th period and forecasts for the 36th and 37th periods.

DPU in the 35th period came in at 4,430 yen in line with our earlier announcement. Our forecast for the 36th period is also unchanged from our previous announcement of 4,500 yen. As you can see from the graph on this page, we are forecasting for the first time a DPU of 4,600 yen for the 37th period. Based on these actual and forecast results, JRF's DPU is projected to increase around 4% from the 35th period.

Elaborating a little further on the reasons for movements in the Investment Corporation's distribution, results in the 35th period were negatively impacted by the downtime at KAWASAKI Le FRONT, owing mainly to large-scale renewal work as well as the incidence of construction-related expenses, and positively by the gain on sale totaling 3.5 billion yen in connection with the disposition of 4 "Sub" asset category properties. Taking each of these factors into consideration, EPU for the 35th period came in at 4,894 yen, which is 130 yen higher than our previous forecast. This improvement over the forecast mainly reflects the positive flow-on effects of 35 yen attributable to such factors as an increase in initial revenue from the opening of a new tenant at KAWASAKI Le FRONT, as well as 71 yen from an upswing in revenue from several other existing properties.

Turning next to our EPU forecast of 4,785 yen for the 36th period, there are several

factors that we expect will contribute to the projected decrease of 108 yen compared with the 35th period. While we anticipate EPU will be boosted by for example progress in the renovation of KAWASAKI Le FRONT, which is estimated to add 629 yen, certain other movements including the decrease in revenue attributable to the disposition of properties in the previous period and the downturn in gains on sale of “Sub” assets are forecast to negatively impact EPU by 205 yen and 583 yen, respectively.

Looking further ahead to the 37th period, EPU is projected to reach 4,914 yen. We anticipate EPU will increase 129 yen compared with the 36th period. In specific terms, this largely reflects positive contributions of 125 yen from an increase in revenue at KAWASAKI Le FRONT as well as 74 yen from upswings in revenue at several other existing properties, and a negative impact of 94 yen attributable to the loss on sale associated with the final one-third disposition of Ito-Yokado Nishikicho in March 2020.

As far as the 37th period is concerned, JRF has already reached its maximum limit under its reserve system. Should EPU exhibit any upside in the future over 4,914 yen, we are unable to increase the amount of reserves. Under this scenario, we anticipate a further increase in DPU.

As I am sure you are all well aware, Japan’s consumption tax rate increased on October 1, 2019. From the perspective of the Investment Corporation’s rent revenue, roughly 97% of all lease contracts are executed on a long-term, fixed rent basis with an average remaining period of 5.3 years. As such, we consider our rent revenue to be extremely stable. Turning to the status of sales at each property before and after the tax increase, and perhaps as a result of the various relief measures implemented by the government, which were largely restricted to certain home appliances, furniture and consumer durables, the increase in activity attributable to last-minute demand prior to the tax rate hike was largely limited to a one month period in September. For this reason, we believe that any correction and subsequent decrease in the sales of tenants at properties owned by the Investment Corporation from October will be small. Having said this, we have incorporated a stress factor into a portion of our sales-based rent, which accounts for roughly 3% of the portfolio’s total rent revenue, for a limited number of months after the tax rate increase compared with the usual amount when putting in place our recently announced forecasts. With this in mind, the potential exists for an improvement over forecasts vis a vis the current status of operations.

In closing, I would like to reiterate my thoughts on JRF’s DPU growth potential.

In managing the Fund, our goal is to maximize returns to investors. Put another way, our mission is to continuously provide stable as well as sustainable DPU growth.

We are, at this time, coming to the end of large-scale renewal work at KAWASAKI Le FRONT, which in turn will allow us to enter a period of renewed DPU growth. Moving forward, we will continue to engage in steady and proactive management in a bid to achieve our new medium-term DPU target of 5,000 yen and to increase the performance of our investment unit price. As we work toward achieving these goals, we ask for your continued support and understanding.

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

## August 2019 (35<sup>th</sup>) Period P/L Performance

Japan Retail Fund Investment Corporation

	Feb. 2019 Period (34 <sup>th</sup> ) (Actual)	Aug. 2019 Period (35 <sup>th</sup> ) (Actual)	Change	May 29, 2019 (Revision of forecast)	Change
Operating revenue	30,680	35,432	+4,751	35,061	+370
Gain on sales of real estate, etc.	—	4,574	+4,574	4,524	+49
Operating expenses	17,577	20,712	+3,134	20,681	+31
Loss on sales of real estate, etc.	—	1,023	+1,023	1,039	-15
(Rent NOI excl. gain and loss on sale)	21,676	19,910	-1,765	19,627	+282
Operating income	13,103	14,719	+1,616	14,380	+339
Non-operating revenue	2	2	+0	—	+2
Non-operating expenses	1,999	1,906	-92	1,906	-0
Ordinary income	11,105	12,815	+1,709	12,473	+341
Net income	11,105	12,814	+1,709	12,472	+341
Allocation to reserve	—	1,248	+1,248	906	+341
Reversal of reserve	492	31	-461	31	—
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 <sup>1</sup>	6,363 yen	5,661 yen	-702 yen	5,554 yen	+107 yen
FFO pay out ratio <sup>2</sup>	69.6 %	78.3 %	—	79.8 %	—
Capital expenditures	1,940	3,990	+2,050	4,791	-800
Maintenance	965	1,526	+560	2,243	-717
Enhancement	974	2,464	+1,490	2,547	-83
Repair expenses	779	2,261	+1,481	2,307	-45
Total	2,720	6,252	+3,532	7,098	-845
Depreciation	5,553	5,557	+3	5,553	+4

<sup>1</sup> (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  
<sup>2</sup> Distribution per unit / FFO per unit  
<sup>3</sup> Million yen unless otherwise noted



## August 2019 (35<sup>th</sup>) Period P/L Performance

Japan Retail Fund Investment Corporation

### Major factors behind change during Aug. 2019 (35<sup>th</sup>) Period (Compared to previous period)

	(mnyen)
<b>Operating revenues</b>	<b>+4,751</b>
✓ Gain on sales of 8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama and Ito-Yokado Nishikicho	+4,574
✓ Decrease in rent revenue, etc. related to disposed 4 properties <sup>1</sup>	-130
✓ Contribution, in full, of rent revenue, etc. of acquired properties <sup>2</sup> in previous period	+176
✓ Increase in rent revenue, etc. related to acquired m-city Kashiwa and G-Bldg. Jingumae 09	+148
✓ Increase in rent revenue, etc. due to renewal of KAWASAKI Le FRONT	+54
✓ Other properties <sup>3</sup> (rent+9, utility charge received +39, penalty income-115, others -4)	-70
<b>Operating expenses</b>	<b>+3,134</b>
✓ Loss on sales of Narupark	+1,023
✓ Increase in expenses related to disposed 4 properties <sup>1</sup>	+33
✓ Contribution, in full, of expenses of acquired properties <sup>2</sup> in previous period	+47
✓ Increase in expenses related to acquired m-city Kashiwa and G-Bldg. Jingumae 09	+27
✓ Increase in expenses due to renewal of KAWASAKI Le FRONT	+1,966
✓ Other properties <sup>3</sup> (property-related tax +50, BM fee +17, repair expense-221, utility charge +44, PM fee-20, depreciation-33, others +34)	-128
✓ Increase in general administration fees (non-recoverable consumption tax+107, AM Fee +51)	+164
<b>Operating income</b>	<b>+1,616</b>
✓ Decrease in interest payments, etc.	-92
<b>Ordinary income</b>	<b>+1,709</b>
<b>Net income</b>	<b>+1,709</b>

1. 8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama, Ito-Yokado Nishikicho and Narupark  
2. Round 1 Stadium Kawasaki Daiichi, G-Bldg. Minami Aoyama 03 and G-Bldg. Jingumae 08  
3. Properties excluding the following from the properties owned during Aug. 2019 (35<sup>th</sup>) period.  
(8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama, Ito-Yokado Nishikicho, Narupark,  
Round 1 Stadium Kawasaki Daiichi, G-Bldg. Minami Aoyama 03, G-Bldg. Jingumae 08, m-city Kashiwa,  
G-Bldg. Jingumae 09 and KAWASAKI Le FRONT)

### Major factors behind change during Aug. 2019 (35<sup>th</sup>) Period (Compared to the revised forecast as of May 29, 2019)

	(mnyen)
<b>Operating revenues</b>	<b>+370</b>
✓ Increase in gain on sales of 8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama and Ito-Yokado Nishikicho	+49
✓ Increase in rent revenue, etc. due to renewal of KAWASAKI Le FRONT	+101
✓ Other properties <sup>1</sup> (rent +64, utility charge received -34, card fee income +52, others +136)	+219
<b>Operating expenses</b>	<b>+31</b>
✓ Decrease in loss on sales of Narupark	-15
✓ Increase in expenses related to disposed 4 properties <sup>2</sup>	+3
✓ Increase in expenses due to renewal of KAWASAKI Le FRONT	+9
✓ Other properties <sup>3</sup> (BM fee +34, repair expense -49, utility charge -25, PM fee +68, depreciation -16, others +18)	+30
✓ Increase in general administration fees	+8
<b>Operating income</b>	<b>+339</b>
✓ Increase in non-operating revenue	+2
<b>Ordinary income</b>	<b>+341</b>
<b>Net income</b>	<b>+341</b>

1. Properties excluding KAWASAKI Le FRONT from the properties owned during Aug. 2019 (35<sup>th</sup>) period.  
2. 8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama, Ito-Yokado Nishikicho and Narupark  
3. Properties excluding the following from the properties owned during Aug. 2019 (35<sup>th</sup>) period.  
(8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama, Ito-Yokado Nishikicho, Narupark, and KAWASAKI Le FRONT)

## Forecasts for the Coming Two Periods

Japan Retail Fund Investment Corporation

	Aug. 2019 Period (35th) (Actual)	Feb. 2020 Period (36th) (Forecast)	Change	Aug. 2020 Period (37th) (Forecast)	Change
Operating revenue	35,432	31,855	-3,576	31,911	+56
Gain on sales of real estate, etc.	4,574	2,022	-2,552	1,775	-246
Operating expenses	20,712	17,556	-3,156	17,329	-226
Loss on sales of real estate, etc.	1,023	—	-1,023	—	—
(Rent NOI excl. gain and loss on sale)	19,910	20,847	+937	21,406	+558
Operating income	14,719	14,299	-419	14,582	+282
Non-operating revenue	2	—	-2	—	—
Non-operating expenses	1,906	1,769	-137	1,713	-55
Ordinary income	12,815	12,529	-285	12,868	+338
Net income	12,814	12,529	-285	12,867	+338
Allocation to reserve	1,248	779	-468	854	+75
Reversal of reserve	31	31	—	31	—
Balance of reserve <sup>1</sup>	5,860	6,609	+748	7,432	+823
Total distribution	11,597	11,781	+183	12,042	+261
Units outstanding	2,618,017 units	2,618,017 units	—	2,618,017 units	—
DPU	4,430 yen	4,500 yen	+70 yen	4,600 yen	+100 yen
FFO per unit <sup>2</sup>	5,661 yen	6,071 yen	+410 yen	6,307 yen	+236 yen
FFO pay out ratio <sup>3</sup>	78.3 %	74.1 %	—	72.9 %	—
Capital expenditures	3,990	5,333	+1,342	3,037	-2,295
Maintenance	1,526	2,429	+903	2,365	-64
Enhancement	2,464	2,903	+439	672	-2,231
Repair expenses	2,261	852	-1,409	571	-281
Total	6,252	6,185	-66	3,608	-2,576
Depreciation	5,557	5,387	-170	5,422	+35

<sup>1</sup> Balance of reserve after approval of distributions as the JRF board directors meeting for each period

<sup>2</sup> (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

<sup>3</sup> Distribution per unit / FFO per unit

<sup>4</sup> Million yen unless otherwise noted

## Forecasts for the Coming Two Periods

Japan Retail Fund Investment Corporation

### Major factors behind change during Feb. 2020 (36<sup>th</sup>) period (Compared to actual for Aug. 2019 (35<sup>th</sup>) period)

	(mnyen)
Operating revenues	-3,576
✓ Absence of gain on sales properties in previous period	-2,552
✓ Decrease in rent revenue, etc. related to disposed properties in the previous period <sup>1</sup>	-1,216
✓ Contribution, in full, of rent revenue, etc. of acquired properties <sup>2</sup> in the previous period	+128
✓ Increase in rent revenue, etc. due to renewal of KAWASAKI Le FRONT	+204
✓ Other properties <sup>3</sup> (rent +12, utility charge received -49, others -127)	-141
Operating expenses	-3,156
✓ Absence of loss on sales property in previous period	-1,023
✓ Decrease in expenses related to disposed properties <sup>3</sup> in the previous period	-598
✓ Contribution, in full, of expenses of acquired properties <sup>2</sup> in the previous period	+11
✓ Decrease in expenses due to renewal of KAWASAKI Le FRONT	-1,443
✓ Other properties <sup>3</sup> (repair expense -74, utility charge -61, PM fee -68, depreciation +55, others +45)	-103
Operating income	-419
Decrease in interest payments, etc.	-137
Ordinary income	-285
Net income	-285

1. 8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama, Ito-Yokado Nishikicho and Narupark  
 2. m-city Kashiwa and GBLdg, Jingumae09  
 3. Properties excluding the following from the properties owned during Aug. 2019 (35<sup>th</sup>) period.  
 (8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama, Ito-Yokado Nishikicho, Narupark,  
 m-city Kashiwa, GBLdg, Jingumae09 and KAWASAKI Le FRONT)

### Major factors behind change during Aug. 2020 (37<sup>th</sup>) period (compared to forecast for Feb. 2020 (36<sup>th</sup>) period)

	(mnyen)
Operating revenue	+56
✓ Decrease in gain on sales of Ito-Yokado Nishikicho	-246
✓ Decrease in rent revenue, etc. related to disposed Ito-Yokado Nishikicho	-176
✓ Increase in rent revenue, etc. due to renewal of KAWASAKI Le FRONT	+149
✓ Absence of renewal downtime of mozo wonder city	+57
✓ Other properties <sup>1</sup> (rent +74, utility charge received +58, others +138)	+272
Operating expenses	-226
✓ Decrease in expense related to disposed Ito-Yokado Nishikicho	-56
✓ Decrease in renewal expense of KAWASAKI Le FRONT	-177
✓ Decrease in expenses of mozo wonder city	-7
✓ Other properties <sup>1</sup> (property-related tax +43, BM fee -12, repair expense -31, utility charge +69, others -47)	+20
✓ Increase in general administration fees	-5
Operating income	+282
Decrease in interest payments and completion of amortization of issuance expense, etc.	-56
Ordinary income	+338
Net income	+338

1. Properties excluding the following from the properties owned during Feb. 2020 (36<sup>th</sup>) period.  
 (Ito-Yokado Nishikicho, KAWASAKI Le FRONT and mozo wonder city)

## August 2019 (35<sup>th</sup>) Period B/S Performance

Japan Retail Fund Investment Corporation

	Feb. 2019 Period (34 <sup>th</sup> ) (Actual)	Aug. 2019 Period (35 <sup>th</sup> ) (Actual)	Change
Total assets (1)	897,331	900,799	+ 3,468
Total liabilities	464,630	466,805	+ 2,174
Interest-bearing liability (2)	404,725	404,725	—
Tenant leasehold and security deposits (3)	50,071	48,594	- 1,476
Net assets	432,701	433,994	+ 1,293
LTV ((2)+(3)) / (1)	50.7 %	50.3 %	-0.4 points
LTV (2) / (1)	45.1 %	44.9 %	-0.2 points
Long-term borrowings ratio	98.2 %	100.0 %	+1.8 points
Fixed interest rate ratio	93.3 %	93.3 %	—
Average debt cost	0.99 %	0.92 %	- 0.07 points
Number of properties	101 properties	100 properties	-1 properties
Aggregate acquisition price	905,735	883,234	- 22,501
Unrealized profits and losses	+ 156,981	+ 161,476	+ 4,494
Book value	851,358	832,643	- 18,714
Appraisal value	1,008,340	994,120	- 14,220

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

Balance of reserve	4,643	5,860	+ 1,216
Reserve for dividends	1,616	2,864	+ 1,248
Reserve for reduction entry of property	15	15	—
Reserve for temporary difference adjustments	3,012	2,981	- 31

Million yen unless otherwise noted

### Major factor behind change during Aug. 2019 (35<sup>th</sup>) period (Compared to previous period)

	(million yen)
Total assets	+3,468
✓ Acquisition properties	+12,837
✓ Disposition properties	-29,390
✓ Increase in cash and bank deposits	+21,745
✓ Depreciation, loss on disposal of fixed assets	-5,737
✓ Capital expenditures	+3,990
✓ Construction in progress account	-680
✓ Prepaid expense, long-term prepaid expense	+245
Total liabilities	+2,174
✓ Increase in accounts payable-operating	+1,040
✓ Decrease in tenant leasehold and security deposits	-1,476
✓ Consumption tax payable	+947
✓ Increase in accrued expense	+275
✓ Increase in deposits received	+1,501
✓ Decrease in current portion of asset retirement obligations	-62
Net assets	+1,293
✓ Increase of retained earnings	+1,709
✓ Decrease in reserve of dividends	-492
✓ Deferred gain and losses on hedges	+76

P.5

1. As of October 11, 2019. Acquisition is not guaranteed
2. Based on appraisal value
3. Based on appraisal value basis as of the end of August 2019, excluding Ito-Yokado Nishikichow which will be dispositioned
4. The forecasts described herein do not guarantee

P.6

1. (Net income - Gain on sales of real estate + Loss on sales of real estate + Nonrecoverable tax due to disposition) / Total units outstanding as of Aug. 2019 (39<sup>th</sup>) period
2. (Estimated NOI after depreciation after renewal completion - Estimated NOI after depreciation as of Aug. 2020 (37<sup>th</sup>) period) / Total units outstanding as of Aug. 2019 (39<sup>th</sup>) period
3. Calculated by the difference of total acquisition price of core assets acquired since December 2018 and total acquisition price of sub assets disposed (including scheduled disposition) after Feb. 2019 (34<sup>th</sup>) 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
4. The forecasts described herein do not guarantee
5. The forecasts described herein do not guarantee
6. 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 from Feb. 2021 (38<sup>th</sup>) period to Aug. 2023 (43<sup>rd</sup>) period. Please refer to P13 for details
7. Depreciation and amortization outstanding - Capital expenditures
8. The forecasts described herein do not guarantee

P.13

1. CBRE "Retail Market Information"
2. CBRE "Retail Market View 2019 2Q"
3. Based on disclosure documents of each train company
4. Ministry of Internal Affairs and Communications, Statistic Bureau, "Census", National Institute of Population and Social Security Research, "Population & Household Projection"
5. Osaka City (Kita-ward, Chuo-ward, Fukushima-ward, Nishi-ward, Tennoji-ward, Naniwa-ward)

P.14

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 September 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 Aug. 2019 (35<sup>th</sup>) period. The monthly rents subjects are fixed-term leasing contracts in Core assets (Prime / Major station) that will be renewed after September 2019
3. The gap between the monthly rent of blocks of Core Assets (Prime / Major station), the fixed term leasing contracts of which end, and the monthly rent of them under the renewed contracts
4. Increase/decrease rate is represented by (monthly rent after revision - monthly rent before revision) / monthly rent before revision (excluding rents specified in unsigned leasing contracts)
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 Aug. 2019 (35<sup>th</sup>) period
6. Represented by the aggregated rents for blocks of the fixed-term leasing contracts, which will expire and renew in Core assets

P.15

1. Market rent is based on the appraisal report
2. The difference between the monthly rent of the previous tenant and the monthly rent of the new tenant
3. (Monthly rent latest revision by the aggregated rents for blocks of the fixed contract - Monthly rent before revision) / Total monthly revenue on Residential station
4. Calculated by the difference of monthly rent before revision and monthly rent after revision converted to semi-annualized basis and divided it by the issued investment units as of Aug. 2019 (35th) period

P.16

1. This is the annual NOI divided by the acquisition price
2. Annual NOI before renewal is calculated at the time of acquisition in October 2013
3. Based on the current renewal plan
4. Based on the lease agreement in the current renewal plan, annual NOI increase is computed on the basis of sales volume, DPU increase is calculated by converting the annual NOI increase into six months, and dividing by the invest units as of Aug. 2019 (35th) period
5. The difference between the initial annual NOI and the current annual estimated NOI and the annual NOI increase based on sales of 111% by dividing by investment units as of the end of the Aug. 2019 (35th) period
6. Sales of Yodobashi Camera are calculated based on the previous year's sales, and tenants of specialty stores are calculated based on assumed sales.

P.18

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 Aug. 2019 (35th) period
3. As of October 11, 2019
4. Calculated by multiplying the difference between the average interest rate and 0.6% by the total amount of borrowings for 6 months and dividing by the investment units as of the end of Aug. 2019 (35th) period

P.19

1. The total amount of borrowings and investment corporation bonds divided by total assets
2. The total amount of borrowings and investment corporation bonds divided by the appraisal value
3. The total amount of fixed-rate borrowings, investment corporation bonds, and security deposits divided by the total amount of borrowings, investment corporation bonds, and security deposits
4. The total amount of long-term debt (including current portion of long-term debt), investment corporation bonds, and security deposits divided by the total amount of borrowings, investment corporation bonds, and security deposits
5. Calculation including the security deposits
6. As of October 15, 2019

P.20

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. Cash and deposits balance at the end of August 2019 (35th fiscal period)-Total distributions at the end of August 2019 (35th fiscal period)-Guarantee deposits to be repaid-Balance of reserves at the end of August 2019 (35th fiscal period)-Unpaid renewal CAPEX/reserves for Kawasaki Leffon-Calculated using funds to acquire replacement assets
4. The forecasts described herein do not guarantee
5. Figures are calculated by deducting the total acquisition price of the three core assets acquired after December 2018 from the total acquisition price of the four sub-assets (of which one is a quasi-co-ownership interest of real estate trust beneficiary interest) transferred in the fiscal period ended August 2019 (35th fiscal period)
6. Calculated by multiplying 6 billion yen by 3.3% NOI yield after depreciation for 6 months and dividing by investment units as of the end of August 2019 (35th fiscal period)

P.21

- This change is based on the premise that Resolution Proposal 1 "Partial amendment of the Articles of Incorporation" will be approved as originally proposed at the General Meeting of Unitholders scheduled to be held on November 22, 2019.
- The rates listed in this press release are different from the rates in the Articles of Incorporation.
- <Rate before change> The rates based on the previous Asset Management Agreement signed between the Investment Corporation and the Asset Management Company
- <Rate after change> The rates based on the Memorandum of Amendments to the Asset Management Agreement signed today between the Investment Corporation and the Asset Management Company

The rates according to the Articles of Investment Corporation are as follows.

<Before> Asset Management Fee: Gross Asset Value\* x up to 1% (per annum), Acquisition Fee: Acquisition Value x up to 2%  
<After> Asset Management Fee I: Gross Asset Value\* x up to 0.75% (per annum), Asset Management Fee II: Total Distribution\*\* x up to 9%,  
Acquisition Fee: Acquisition Value x up to 2%, Disposition Fee: Disposition Value x up to 1.5%, Merger Fee: Appraisal Value of Assets Received at Merger x up to 2%

\* For the calculation method of the Gross Asset Value, please refer to "Part I. Fund Information, Item 1. Status of Fund, 4. Charges, etc. and Taxation, (3) Management Fee, etc., (iii) Fees for Asset Management Company (Article 29 of the Articles of Incorporation) set out in the Annual Securities Report for the FY ended Feb. 2019 (34th)."   
 \*\* The Total Distribution is the amount of distribution (Distribution per unit x units issued outstanding) stated on the statement of distribution of monies for the immediately preceding business period.

- The capital loss from disposition arises when the numerical value calculated by the following formula is negative. If it is positive, the Disposition Fee will be applied.  
Disposition Value = (Book Value as of the date of the disposition + expenses incurred for disposition + Disposition Fee)

P.26

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. (Gain and loss on sales of real estate - Nonrecoverable tax due to disposition) / Total units as of Aug. 2019 (39<sup>th</sup>) period
3. (Net income - gain and loss on sales of real estate) / Total units as of Aug. 2019 (39<sup>th</sup>) period
4. (NOI after depreciation for the budget for each fiscal period - Assumed NOI after depreciation after renewal) / Total units as of Aug. 2019 (39<sup>th</sup>) period

Think bold today for a brighter tomorrow.



## Japan Retail Fund Investment Corporation

### **Disclaimer**

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