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36th

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Machinoma Omori

February 2020 (36th)

## Period Results

September 1, 2019 - February 29, 2020

Japan Retail Fund Investment Corporation



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**1**









# **Impact of COVID-19 and Future Strategy**

## Sales increase in groceries, steady transition in household goods/living ware, though other sector's sales dropped

### What happened by COVID-19

- ✓ Refrain from unnecessary and non-urgent outings
- ✓ Decline in consumer sentiment for expensive goods
- ✓ Decrease Japan-bound tourists
- ✓ Outbreak of hoarding goods demand

### Impact by tenant's sector

Sector	Sales Impact	% of annual rent <sup>(1)</sup>
Household goods / Living ware		18.4%
Fashion		17.8%
Entertainment		5.7%
Restaurant/Café		5.2%
Groceries		3.2%
Service		3.1%
Education/Fitness		1.9%
Department store		2.7%

### Sales performance by portfolio segmentation<sup>(2)</sup>

	Representative properties	Feb.	Mar.
Prime	GYRE	80%	53%
	La Porte Aoyama	107%	69%
Major Station	KAWASAKI Le FRONT	127%	101%
	MARINE & WALK YOKOHAMA	113%	68%
Residential Station	KAMISHIN PLAZA	108%	105%
	Machinoma Omori	117%	114%
Suburban Mall	Nara Family	93%	80%
	Oyama Yuen Harvest Walk	100%	70%
GMS / Roadside	Sales not disclosed	-	-

(1) Calculated based on annual rent, which effective lease contracts as of the end of Feb. 2020

(2) Publicly disclosed tenants' sales only, year-on-year

## Plan to maintain DPU of 4,500 yen by controlling reserves

### Basic policy on DPU

Against decrease in revenue by the impact of COVID-19

**Engage in stabilizing the level of DPU by utilizing large amount of reserves**

#### Reserve balance<sup>(1)</sup>

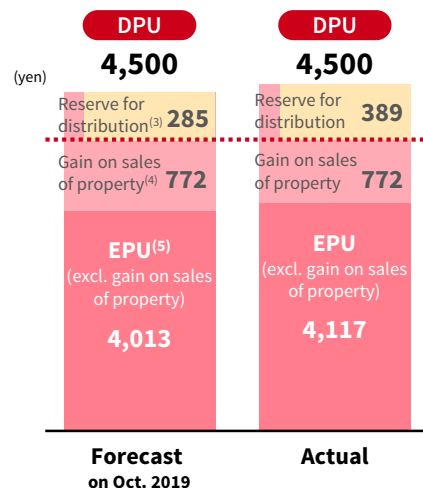
As of the end of Feb. 2020 (36<sup>th</sup>) period

**6.88bn yen**  
(2,628yen per unit<sup>(2)</sup>)

### Including the impact of COVID-19 in the forecast

#### Feb. 2020 (36<sup>th</sup>) period Actual

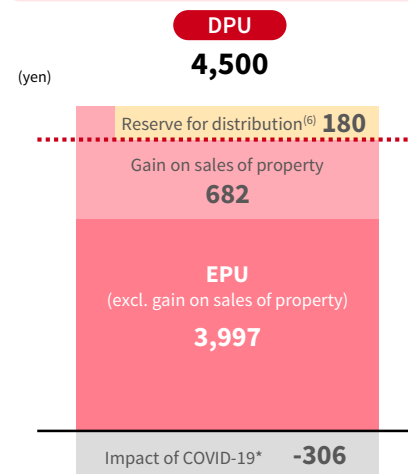
Despite the impact of COVID-19 in the end of this period, results exceed the forecast by approx. 270 million yen



#### Aug. 2020 (37<sup>th</sup>) period Forecast

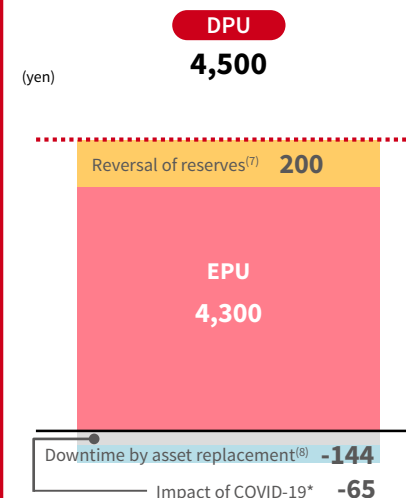
Forecast decrease in revenue by around 800 million yen including sales-based rents by the impact of COVID-19

In the case the impact far exceeding the assumption, new forecast will be released



#### Feb. 2021 (38<sup>th</sup>) period Forecast

Forecast decrease in revenue by around 200 million yen by the impact of COVID-19

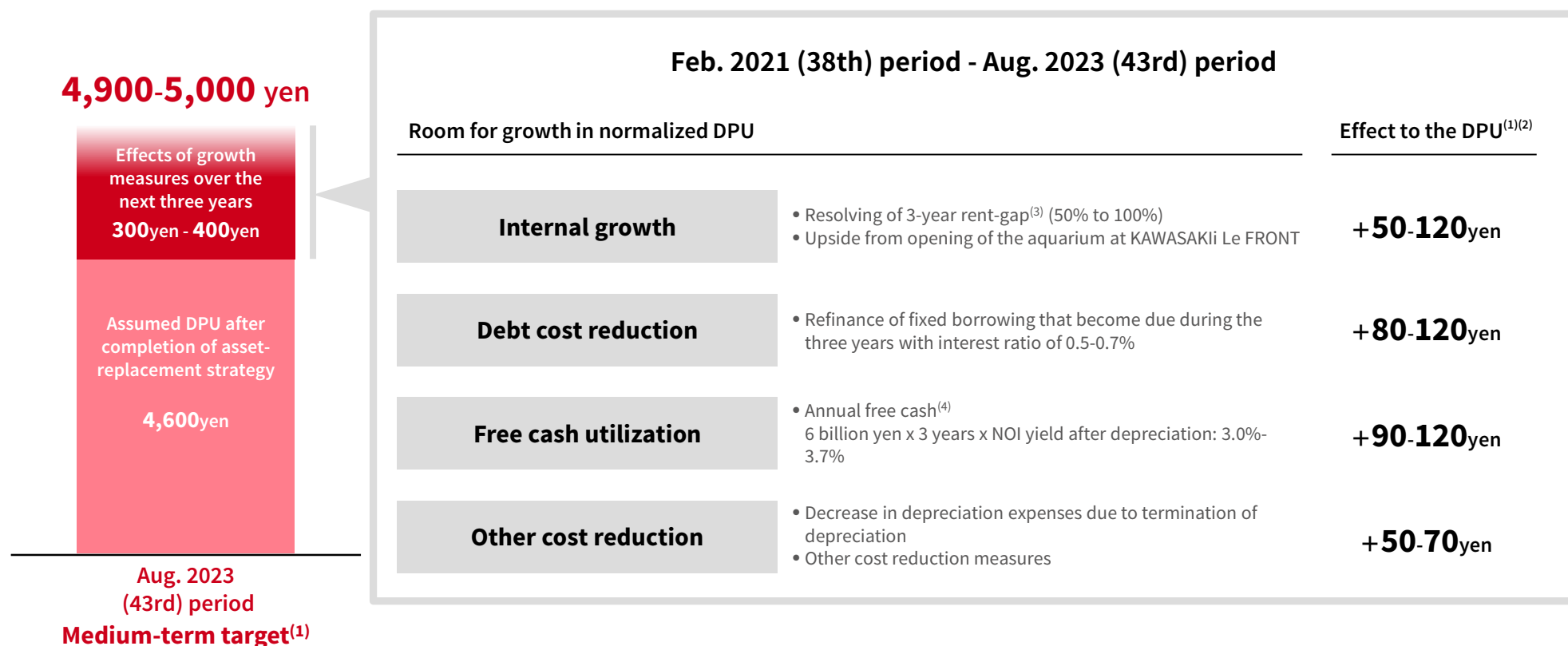


\* Calculating by figures based on the sales until April 6, 2020 and progress for the rent negotiation with tenants divided by total units outstanding as of the end of Feb. 2020 (36<sup>th</sup>) period  
The impact of state of emergency declaration is not included as the calculation is difficult to identify as of preparing this material

\* Please refer to page 33 for the notes to this page

## To achieve the medium-term target for normalized DPU, assess the impact of COVID-19 and conduct appropriate measures

### Medium-term target for normalized DPU



\* Please refer to page 33 for the notes to this page

## In the short time, consider and implement various actions by utilizing approx. 37 billion yen of free cash

### Repurchase of own investment units

By acquiring investment units below intrinsic value, engage in improving unitholder value

Strong financial base

Commitment line<sup>(1)</sup>

**60bn yen**

High stability of DPU

Reserve balance<sup>(1)</sup>

**6.8bn yen**

Funds for growth investments

Free cash balance<sup>(2)</sup>

**37bn yen**

#### Details of implementation (Scheduled)<sup>(3)</sup>

Total number of investment units to be repurchased	<b>25,000</b> units (maximum)
Total amount of investment units to be repurchased	<b>2,000</b> mn yen (maximum)
Repurchase period	Apr. 14, 2020 - June 5, 2020

#### Effects of repurchase of own investment units<sup>(4)</sup>

Effect to the EPU	<b>+30</b> yen (normalized period)
Effect to the NAV	<b>+900</b> yen
Impact on the LTV	<b>+0.1</b> % (Finance impact is limited)

### Short-term measures

By utilizing large amount of free cash, implement acquiring high quality assets through identifying real estate market trends

Free cash balance

After repurchasing of own investment units

**Approx. 35bn yen**

#### Basic policy

Considering the impact of COVID-19, implement acquiring assets at rational price level

#### Acquisition of new properties

- ✓ Acquisition of core assets
- ✓ Acquisition of complex properties located in the core assets area

#### Other policy

Regarding turmoil in the financial market, give appropriate measures

#### Repurchase of own investment units

- ✓ In case of further unit price decline

#### Debt repayment

- ✓ In the event of big change in debt procurement environment

\* Please refer to page 33 for the notes to this page

# No basic strategy change - focus on urban type assets, mainly core assets

## Current perspective

**The background for our focus on urban type assets remains largely unchanged even after COVID-19 has calmed, due to a general change**

### Background for our focus on urban type assets

#### Japanese perspective

- ✓ Population concentration in urban areas
- ✓ Railway-centered society

#### Urban growth factors

- ✓ Inbound consumption are mainly in urban areas
- ✓ Suburban areas are more affected by EC
- ✓ Increase in leisure time

## Future strategy

### Continue asset replacement with the strategy, focus on urban type assets

- Considering the impact of COVID-19, acquire selected core assets for mid-long term competitiveness
- Sell sub assets with declining competitiveness for mid-long term
- In case of changing in the perspective focusing on urban type assets, make flexible and drastic changes to the portfolio strategy

## Asset

No. of properties	<b>100</b> properties
Asset size <sup>(1)</sup>	<b>877.2</b> bn yen
Appraisal value	<b>988.1</b> bn yen
Unrealized gain <sup>(2)</sup>	<b>162.1</b> bn yen
NOI yield <sup>(3)</sup>	<b>4.8%</b>
NOI yield after depreciation <sup>(3)</sup>	<b>3.6%</b>

## Debt

Interest-bearing debt	<b>404.7</b> bn yen
LTV ratio (excluding tenant leasehold and security deposits)	<b>45.0%</b>
LTV ratio (including tenant leasehold and security deposits)	<b>50.3%</b>
Average debt cost	<b>0.86%</b>
Average loan term remaining until maturity	<b>4.3</b> years

## Equity

Market capitalization <sup>(4)</sup>	<b>536.9</b> bn yen
NAV per unit <sup>(5)</sup>	<b>223,600</b> yen
Distribution per unit	<div>Feb. 2020 (36<sup>th</sup>) period</div> <div><b>Actual</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>4,500</b>yen</div>
	<div>Feb. 2021 (38<sup>th</sup>) period</div> <div><b>Forecast</b></div> <div><b>4,500</b>yen</div>

(1) Total acquisition price

(2) Appraisal value at the end of period—Book value at the end of period

(3) Feb. 2020 (36th) actual figures on an annualized basis divided by acquisition price

(4) As of the end of Feb. 2020

(5) (Net assets + Unrealized profits and losses - Total distribution) / Total units outstanding



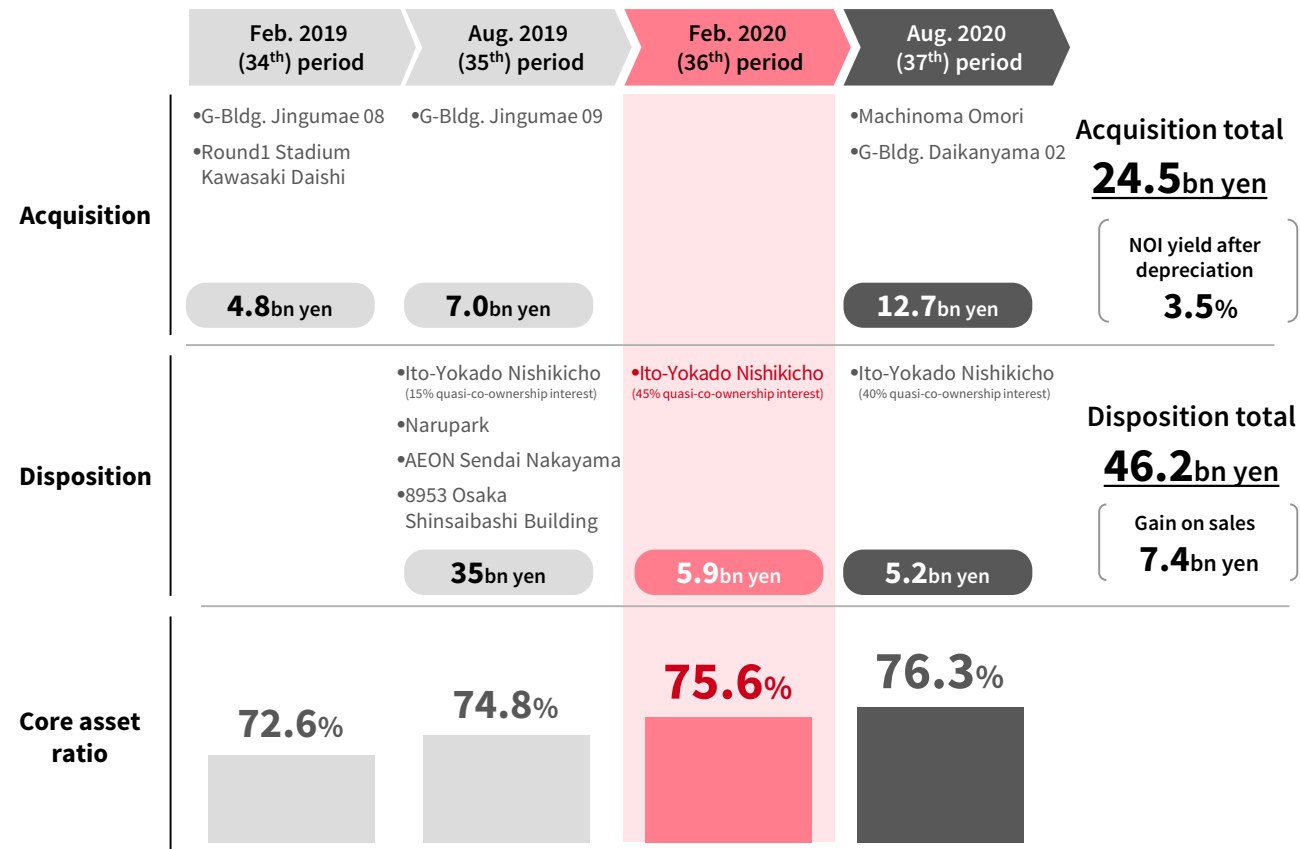


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## **Operating Results**

## By acquiring two core assets, steady progress in asset replacement

### Progress of asset replacement



### Newly announced acquisition

#### Machinoma Omori (Ota-ku, Tokyo)



**Residential Station**

Acquisition from sponsor

Acquisition price (Scheduled)	9,100mn yen
Appraisal value	9,360mn yen
NOI yield	4.6%
NOI yield after depreciation	3.6%

#### G-Bldg. Daikanyama 02 (Shibuya-ku, Tokyo)



**Prime**

Acquisition from outside contractors

Acquisition price (Scheduled) <sup>(1)</sup>	3,600mn yen
Appraisal value	4,000mn yen
NOI yield <sup>(2)</sup>	4.3%
NOI yield after depreciation <sup>(2)</sup>	3.7%

\* Please refer to page 33 for the notes to this page

## Going forward, focusing on real estate market trends and flexibly executing asset replacement



### Asset replacement policy

- No policy change in the sale of sub assets and acquisition of core assets
- Watching real estate market trends
- No change in the timing of the completion of asset replacement (during FY 2021)



### Acquisition

- Calculate prices taking into account the impact of COVID-19
- Acquire competitive assets at reasonable prices over the medium to long term
- Identifying real estate market trends and changing the speed of acquisition accordingly
- Also looking into acquisition of complex facilities located in the core assets area



### Disposition

- Maintain the appraisal value based perspective at the sale of assets
- On the other hand, closely watching real estate market trends to avoid missing the timing of the sale
- Possibility of accelerating sale of assets more than initially expected

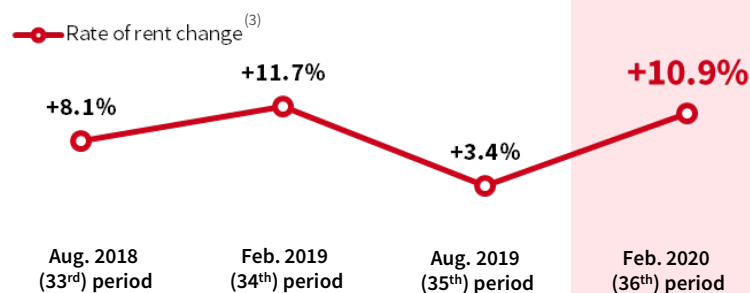
## Continue to achieve rent increases by resolving rent gap

### Summary of rent revisions

Rent gap of Core assets (Prime/Major Station) <sup>(1)</sup>	<b>-5.0%</b>
Effect to the DPU due to rent gap resolved <sup>(2)</sup>	<b>+201yen</b>

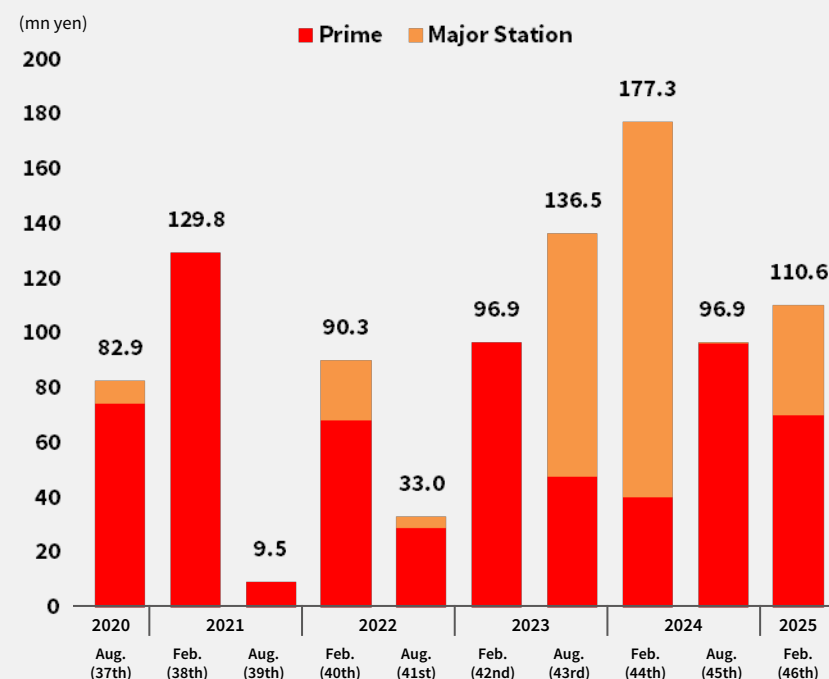
#### Example of rent increase

G-Bldg. Minami Ikebukuro 01	24.3%
G-Bldg. Umeda 01	19.3%
CUTE CUBE HARAJUKU	14.8%



Monthly rent subject to revision <sup>(4)</sup>	<b>76.3yen</b>	<b>50.9yen</b>	<b>29.8yen</b>	<b>61.5yen</b>
Changes in monthly rent after the revision (on net basis)	<b>+6.2mn yen</b>	<b>+5.9mn yen</b>	<b>+1.0mn yen</b>	<b>+6.7mn yen</b>
Effect to the DPU <sup>(5)</sup>	<b>+14yen</b>	<b>+14yen</b>	<b>+2yen</b>	<b>+15yen</b>

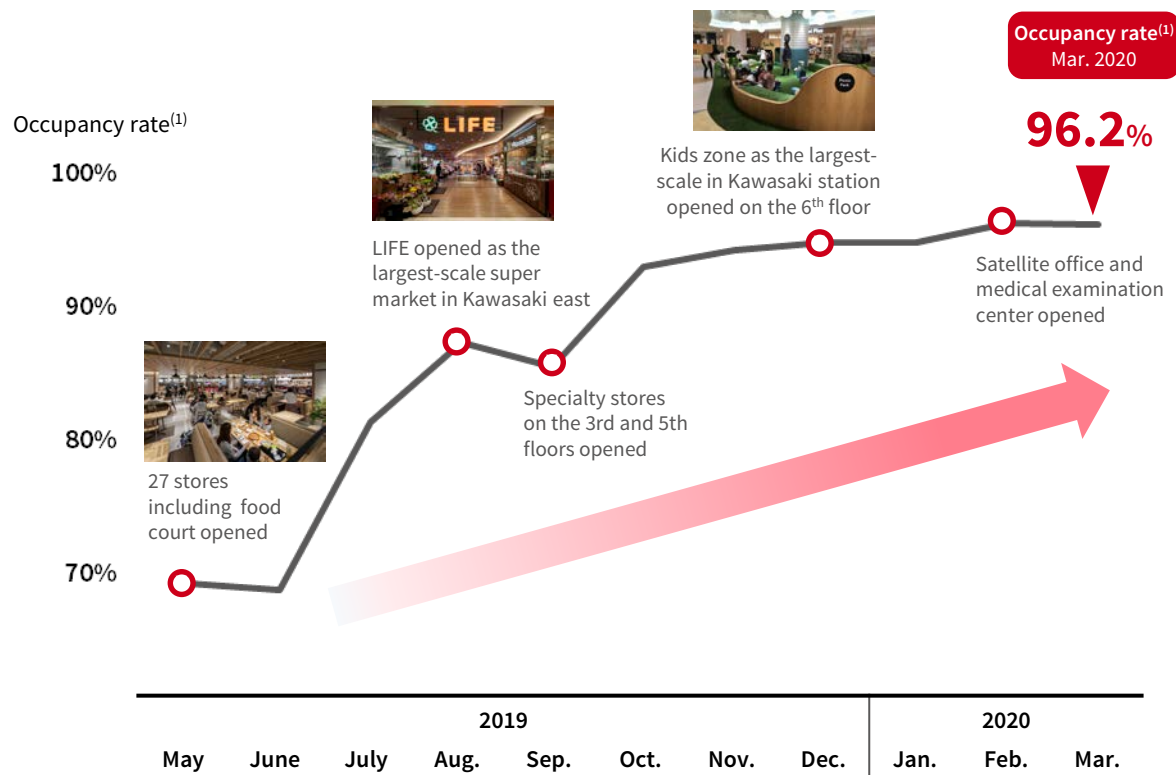
### Monthly rent subject to revision in the next 5 years<sup>(4)</sup>



\* Please refer to page 33 for the notes to this page

## Phased renovation in progress, aquarium to open in this summer

### Progress of renewal plan



(1) Based on the contracted area occupied in the total leasable area of the property at the end of each period  
 (2) Ratio of total of fixed rent, minimum guaranteed rent and common maintenance fee, accounted for the entire tenant total rent  
 (3) Sales of publicly disclosed tenants only are calculated based on assumed sales

### Evolution of tenant composition

Integrated tenant composition



### Rent structure with low volatility

Rent structure at fixed rent ratio<sup>(2)</sup> of 93%  
 No change in the estimated normalized NOI

### Ability to attract customers with daily commodity tenants

Steadily attracting customers at supermarkets and food courts  
 Limited impact of consumption tax hike and COVID-19

Current sales<sup>(3)</sup> (vs. forecast)(Sep.2019 – Feb. 2020)

Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
120%	91%	103%	113%	101%	99%

### Aquarium is scheduled to open this summer

Scheduled to open in 2020 summer



## Aggressively promoting activities with utilizing IT technologies

### Analysis of the flow of people at two properties in Omotesando

- Beacon placed at GYRE and La Porte Aoyama
- Analyzing the flow of people by utilizing the GPS locator installed in smartphones
- Identifying behavioral characteristics of visitors and places visited in the area
- Coupons and event information are distributed through push notification system



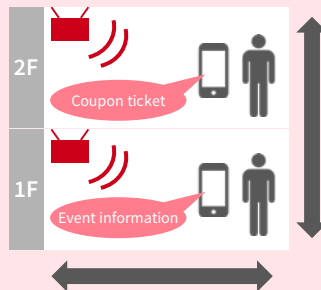
### Introduction of Loyalty Point App at mozo Wonder City

- “mozo App” was launched on February 26, 2020
- Loyalty points are granted by using QR code
- Payment via smartphone tied up with credit cards is also available
- Coupons are distributed exclusively to app users



By combining these initiatives in the same property

(Image)



### Tailored Promotional Activities

- Individual buying patterns are grasped via Point App
- Behavioral characteristics and moves within the property are identified via beacons
- Coupons and event information tailored to respective customers are distributed through push notification system

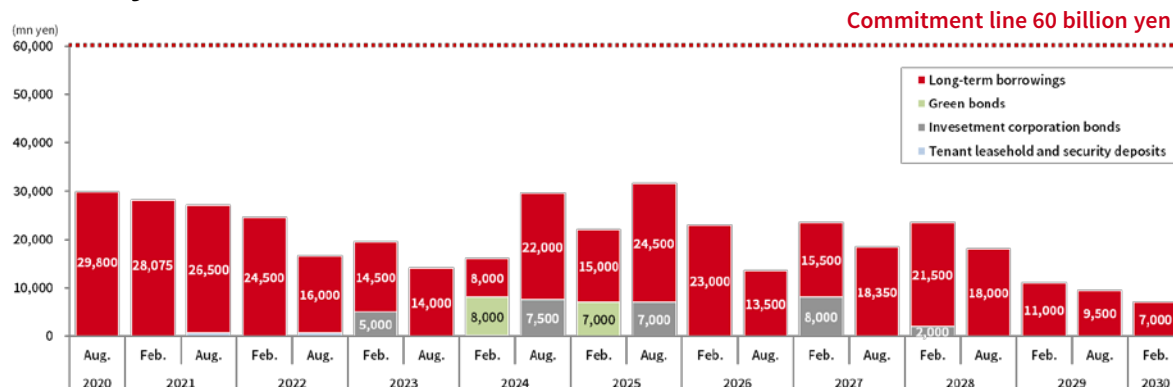
## Financial stability based on best-in-class commitment line among J-REITs and sponsors' credit

### Commitment line

	Commitment line 1	Commitment line 2
Maximum amount	<b>50bn yen</b>	<b>10bn yen</b>
Contract period	3 years	2 years
longest borrowing period	5 years	3 years
Lender	MUFG Bank, Ltd. Sumitomo Mitsui Trust Bank, Ltd. Mizuho Bank, Ltd.	Sumitomo Mitsui Banking Corporation

**Total Amount  
60bn yen**  
The largest set amount in J-REITs<sup>(1)</sup>

### Maturity ladder (As of the end of Feb. 2020)



### Financial Indices as of Feb. 2020 (36th) period

	Aug. 2019 (35 <sup>th</sup> ) period	Feb. 2020 (36 <sup>th</sup> ) period
Credit ratings (R&I)	AA- (Stable)	AA- (Stable)
LTV (excluding tenant leasehold and security deposits)	44.9%	45.0%
LTV (including tenant leasehold and security deposits)	50.3%	50.3%
LTV (based on appraisal value) (excluding tenant leasehold and security deposits)	40.7%	41.0%
LTV (based on appraisal value) (including tenant leasehold and security deposits)	45.6%	45.8%
Average debt cost <sup>(2)</sup>	0.92%	0.86%
Average loan term remaining until maturity <sup>(2)</sup>	4.3years	4.3years
Long-term borrowing ratio <sup>(2)</sup>	100.0%	100.0%
Fixed-interest ratio <sup>(2)</sup>	93.3%	93.3%

(1) As of April 10, 2020

(2) Calculation including the tenant leasehold and security deposits except

## Cutting debt cost due to refinance

### Refinancing activities (Nov.2019 – Apr.2020)

	Before	After
Amount	31,000mn yen	31,000mn yen
Avg. term	8.0 years	9.0 years
Avg. debt cost <sup>(1)</sup>	1.00%	0.53%

Effect to the DPU<sup>(2)</sup>

**+28yen**

### Borrowings maturing within 7 periods (Long-term fixed borrowing only) (As of Apr. 2020)

	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	Total
Amount	0yen	21,575mn yen	17,000mn yen	17,000mn yen	21,000mn yen	14,500mn yen	22,000mn yen	113,075mn yen
Avg. term	-	8.5 years	8.4 years	8.6 years	8.3 years	8.4 years	7.5 years	8.3 years
Avg. debt cost <sup>(1)</sup>	-	1.16%	1.12%	1.21%	1.11%	1.06%	0.86%	1.08%

If refinanced at 0.7%, effect to the DPU<sup>(3)</sup> **+82yen**

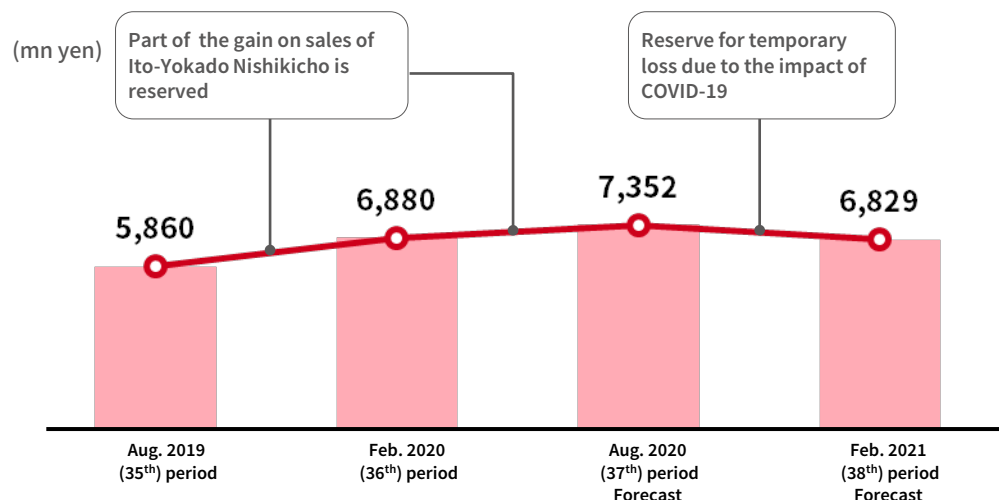
(1) Include loan-related costs etc.

(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. 2020 (36th) period

(3) Calculated by multiplying the difference between the average interest rate and 0.7% by the total amount of borrowings for 6 months and dividing by the investment units as of the end of Feb. 2020 (36th) period

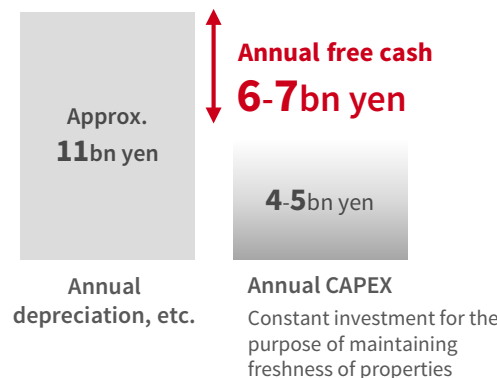
## Using reserves to maintain the DPU and flexibility utilize free cash

### Transition in reserve balance<sup>(1)(2)</sup>



### Utilization of free cash

#### Free cash flow generation capability<sup>(3)</sup>



#### Free cash balance<sup>(4)</sup>

**Approx. 35bn yen**

#### Future utilization

Address temporary drop in earnings caused by changes in external environment

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

#### Future utilization

Based on the understanding of the real estate market trends

Used to acquire new properties

When the investment unit price drops significantly

Used to repurchase of own investment units

When the indirect financial market is deteriorated

Used to repay debt

## 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

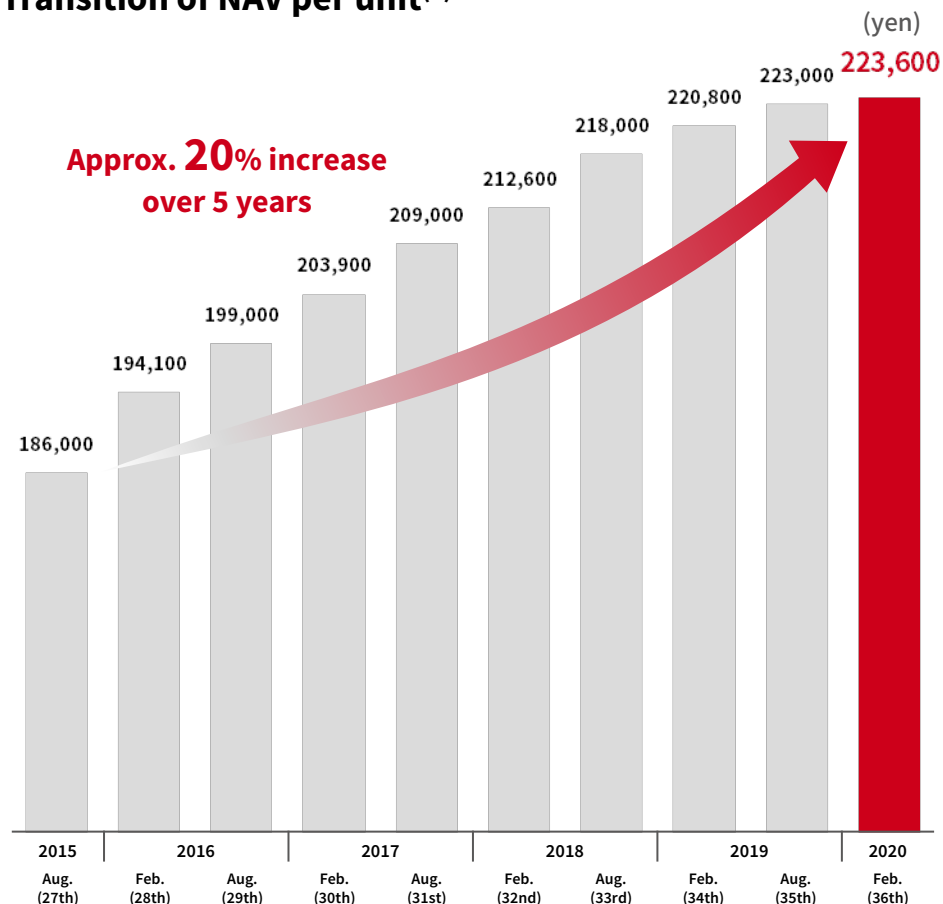
	Appraisal value	Unrealized profits and losses
Prime	382,700 mn yen	68,505 mn yen
Major Station	136,980 mn yen	26,366 mn yen
Residential Station	227,210 mn yen	39,594 mn yen
Core	746,890 mn yen	134,465 mn yen
Secondary core	117,890 mn yen	17,503 mn yen
Sub	123,410 mn yen	10,161 mn yen
<b>Total</b>	<b>988,190 mn yen</b>	<b>162,128 mn yen</b>

Despite a portion of unrealized gains from the sale of assets being realized, **unrealized profits and losses increased by 652 million yen**

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

	Aug. 2019 (35th) period	Feb. 2020 (36th) period	Change
Prime	3.27 %	3.22 %	- 0.05 points
Major Station	4.42 %	4.32 %	- 0.10 points
Residential Station	4.96 %	4.96 %	+0.01 points
Core	4.00 %	3.95 %	- 0.05 points
Secondary core	5.34 %	5.16 %	- 0.18 points
Sub	5.01 %	5.01 %	- 0.00 points
<b>Total Ave.</b>	<b>4.30 %</b>	<b>4.26 %</b>	<b>- 0.04 points</b>

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



(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



**Green Star**  
5 consecutive years

- JRF was designated as the highest rank “Green Star”
- JRF was selected as “Sector Leader” of Retail sector in Asia in 2018



**2<sup>nd</sup>**  
Among J-REITs

- JRF acquired A rating, the second highest rating among J-REITs



**Up 2 ranks**  
From previous year

- JRF acquired a score of “B”
- JRF became the first J-REIT to participate in the CDP in 2016



**4 properties**  
Newly certificated

- 23 properties are certificated
- These properties accounted for 31.7% of the portfolio



**5 properties**  
Newly certificated

- 17 properties are certificated
- These properties accounted for 63.1% of the portfolio



**1 property**  
Certificated

- G-Bldg.Jiyugaoka 01 (Bldg. B) is certificated
- This properties accounted for 0.1% of the portfolio

### Inclusion in ESG indices as constituent

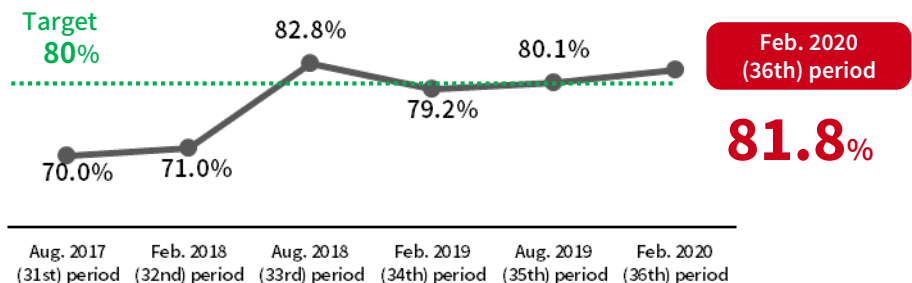


- 9 J-REITs are now selected as constituents
- JRF accounts for the second largest composition ratio among J-REITs
- GPIF announced that its passive management would track ESG indices including this index



- It is a new index created on June 6, 2018 at the Euronext, consisted of top 30 global REITs in the GRESB score ranking

### Transition in Ratio of properties that acquired environmental certificates



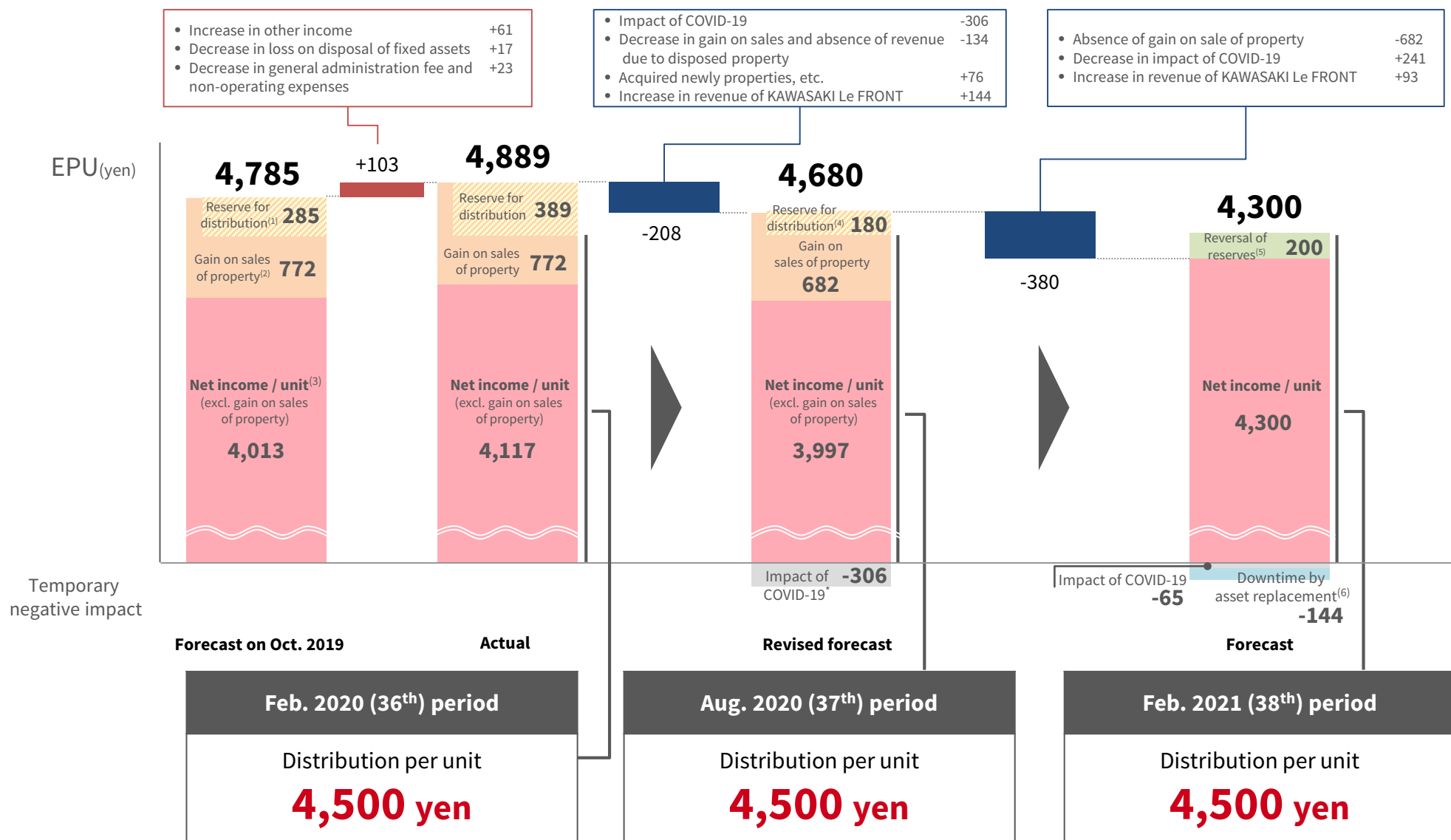
(1) Total floor area basis (excluding land with leasehold interest assets)

(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. msci and the msci index names and logos are trademarks or service marks of msci or its affiliates.



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## **Financial Results and Forecasts**



\* Calculating by figures based on the sales until April 6, 2020 and progress for the rent negotiation with tenants divided by total units outstanding as of Feb. 2020 (36<sup>th</sup>) period  
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# February 2020 (36<sup>th</sup>) Period P/L Performance

Japan Retail Fund Investment Corporation

	Aug. 2019 Period (35th) (Actual)	Feb. 2020 Period (36th) (Actual)	Change
Operating revenue	35,432	32,007	-3,424
Gain on sales of real estate, etc.	4,574	2,022	-2,552
Operating expenses	20,712	17,444	-3,267
Loss on sales of real estate, etc.	1,023	—	-1,023
(Rent NOI excl. gain and loss on sale)	19,910	21,044	+1,134
Operating income	14,719	14,563	-156
Non-operating revenue	2	2	+0
Non-operating expenses	1,906	1,764	-142
Ordinary income	12,815	12,801	-14
Net income	12,814	12,800	-14
Allocation to reserve	1,248	1,050	-197
Reversal of reserve	31	31	+0
Total distribution	11,597	11,781	+183
Units outstanding	2,618,017 units	2,618,017 units	—
DPU	4,430 yen	4,500 yen	+70 yen
FFO per unit <sup>(1)</sup>	5,661 yen	6,170 yen	+509 yen
FFO pay out ratio <sup>(2)</sup>	78.3 %	72.9 %	—
Capital expenditures	3,990	4,217	+226
Maintenance	1,526	1,737	+210
Enhancement	2,464	2,479	+15
Repair expenses	2,261	826	-1,434
Total	6,252	5,044	-1,208
Depreciation	5,557	5,377	-180

Oct. 15, 2019 (Revision of forecast)	Change
31,855	+152
2,022	+0
17,556	-111
—	—
20,847	+196
14,299	+263
—	+2
1,769	-5
12,529	+271
12,529	+271
779	+271
31	—
11,781	—
2,618,017 units	—
4,500 yen	—
6,071 yen	+99 yen
74.1 %	—
5,333	-1,116
2,429	-692
2,903	-423
852	-25
6,185	-1,141
5,387	-9

(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

## Major factors behind change during Feb. 2020 (36<sup>th</sup>) Period (Compared to previous period)

	(mn yen)
Operating revenues	-3,424
✓ Absence of gain on sales properties in previous period <sup>(1)</sup>	-2,552
✓ Decrease in rent revenue, etc. related to disposed properties in the previous period <sup>(1)</sup>	-1,214
✓ Contribution, in full, of rent revenue, etc. of acquired properties in the previous period <sup>(2)</sup>	+133
✓ Increase in rent revenue, etc. due to renewal of KAWASAKI Le FRONT	+231
✓ Increase in rent revenue, etc. due to renewal of GYRE	+28
✓ Increase in rent revenue, etc. due to renewal of mozo wonder city	+98
✓ Other properties <sup>(3)</sup> (rent -88, utility charge received -73, tenant contributions received +21, card fee income +9, penalty income +76, others -94)	-149
Operating expenses	-3,267
✓ Absence of loss on sales property in previous period <sup>(1)</sup>	-1,023
✓ Decrease in expenses related to disposed properties in the previous period <sup>(1)</sup>	-590
✓ Contribution, in full, of expenses of acquired properties in the previous period <sup>(2)</sup>	+21
✓ Decrease in repair expenses, etc. due to renewal of KAWASAKI Le FRONT	-1,383
✓ Decrease in repair expenses, etc. due to renewal of GYRE	-72
✓ Increase in expenses such as card fees for mozo wonder city	+24
✓ Other properties <sup>(3)</sup> (BM fee +14, repair expense -91, utility charge -97, promotion expense -9, loss on disposal of fixed assets -20, depreciation +19)	-185
✓ Decrease in general administration fees (AM fee -28, non-recoverable consumption tax -58)	-57
Operating income	-156
✓ Decrease in interest payments, etc.	-142
Ordinary income	-14
Net income	-14

(1) 8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama, Ito-Yokado Nishikicho and Narupark

(2) m-city Kashiwa and G-Bldg. Jingumae 09

(3) Properties excluding the following from the properties owned during Feb. 2020 (36<sup>th</sup>) period.  
(8953 Osaka Shinsaibashi Building, AEON Sendai Nakayama, Ito-Yokado Nishikicho, Narupark, m-city Kashiwa, G-Bldg. Jingumae 09, KAWASAKI Le FRONT, GYRE and mozo wonder city)

## Major factors behind change during Feb. 2020 (36<sup>th</sup>) Period (Compared to the revised forecast as of October 15, 2019)

	(mn yen)
Operating revenues	+152
✓ Increase in rent revenue, etc. due to renewal of KAWASAKI Le FRONT	+26
✓ Increase in promotion expenses received, etc. of mozo wonder city	+81
✓ Other properties <sup>(1)</sup> (rent +6, utility charge received -30, card fee income +15, others +66)	+43
Operating expenses	-111
✓ Increase in repair expenses, etc. due to renewal of KAWASAKI Le FRONT	+59
✓ Increase in PM fee, etc. of mozo wonder city	+9
✓ Other properties <sup>(1)</sup> (BM fee -9, repair expense -52, utility charge -35, card fee +9, other expense -10, loss on disposal of fixed assets -12, depreciation -7)	-122
✓ Decrease in general administration fees (non-recoverable consumption tax -30)	-56
Operating income	+263
✓ Decrease in interest payments, etc.	-7
Ordinary income	+271
Net income	+271

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

# Forecasts for the Coming Two Periods

Japan Retail Fund Investment Corporation

	Feb. 2020 Period (36th) (Actual)	Aug. 2020 Period (37th) (Forecast)	Change	Feb. 2021 Period (38th) (Forecast)	Change
Operating revenue	32,007	31,600	-407	30,476	-1,124
Gain on sales of real estate, etc.	2,022	1,786	-235	—	-1,786
Operating expenses	17,444	17,641	+196	17,563	-77
Loss on sales of real estate, etc.	—	—	—	—	—
(Rent NOI excl. gain and loss on sale)	21,044	20,770	-274	21,444	+673
Operating income	14,563	13,959	-604	12,912	-1,046
Non-operating revenue	2	—	-2	—	—
Non-operating expenses	1,764	1,705	-59	1,653	-51
Ordinary income	12,801	12,254	-547	11,259	-995
Net income	12,800	12,253	-547	11,258	-995
Allocation to reserve	1,050	503	-547	—	-503
Reversal of reserve	31	31	—	522	+491
Balance of reserve <sup>(1)</sup>	6,880	7,352	+472	6,829	-522
Total distribution	11,781	11,781	—	11,781	—
Units outstanding	2,618,017 units	2,618,017 units	—	2,618,017 units	—
DPU	4,500 yen	4,500 yen	—	4,500 yen	—
FFO per unit <sup>(2)</sup>	6,170 yen	6,080 yen	-90 yen	6,381 yen	+301 yen
FFO pay out ratio <sup>(3)</sup>	72.9 %	74.0 %	—	70.5 %	—
Capital expenditures	4,217	3,665	-552	2,428	-1,236
Maintenance	1,737	2,542	+804	2,357	-184
Enhancement	2,479	1,123	-1,356	70	-1,052
Repair expenses	826	682	-143	683	+0
Total	5,044	4,348	-696	3,112	-1,235
Depreciation	5,377	5,453	+76	5,447	-6

(1) Balance of reserve after approval of distributions as 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. 2020 (37<sup>th</sup>) period (Compared to actual for Feb. 2020 (36<sup>th</sup>) period)

	(mn yen)
Operating revenues	-407
✓ Rent reduction risks due to COVID-19	-827
✓ Decrease in gain on sales of Ito-Yokado Nishikicho	-235
✓ Decrease in rent revenue, etc. related to disposed Ito-Yokado Nishikicho	-178
✓ Increase in rent revenue, etc. related to newly acquired 2 properties and disposed 1 property <sup>(1)</sup>	+449
✓ Increase in rent revenue, etc. due to renewal of KAWASAKI Le FRONT	+181
✓ Other properties <sup>(2)</sup> (rent -12, utility charge received +81, card fee income -58, penalty income +194)	+202
Operating expenses	+196
✓ Decrease in expenses related to disposed Ito-Yokado Nishikicho	-62
✓ Increase in expenses related to newly acquired 2 properties and disposed 1 property <sup>(1)</sup>	+249
✓ Decrease in repair expenses, etc. due to renewal of KAWASAKI Le FRONT	-255
✓ Other properties <sup>(2)</sup> (property-related tax +57, BM fee +33, repair expense +120, utility charge +98, PM fee -17, promotion expense -31, card fee -47, commission paid +22, other expense +7, loss on disposal of fixed assets +7)	+245
✓ Increase in general administration fees (AM fee +29, non-recoverable consumption tax -10)	+18
Operating income	-604
✓ Decrease in interest payments, etc.	-56
Ordinary income	-547
Net income	-547

(1) Acquisition : Machinoma Omori, G-Bldg. Daikanyama 02 Disposition: Arkangel Daikanyama (Land with leasehold interest)

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

## Major factors behind change during Feb. 2021 (38<sup>th</sup>) period (compared to forecast for Aug. 2020 (37<sup>th</sup>) period)

	(mn yen)
Operating revenues	-1,124
✓ Decrease in rent reduction risks due to COVID-19	+632
✓ Absence of gain on sales of Ito-Yokado Nishikicho	-1,786
✓ Increase in rent revenue, etc. due to renewal completion at KAWASAKI Le FRONT	+128
✓ Other properties <sup>(1)</sup> (rent +119, utility charge received -51, tenant contributions received -67, card fee income +35, penalty income -301, others +167)	-98
Operating expenses	-77
✓ Decrease in repair expenses, etc. due to renewal completion of KAWASAKI Le FRONT	-103
✓ Other properties <sup>(1)</sup> (property-related tax -19, repair expense +126 (incl. restoration expense +249), utility charge -45, PM fee +73, promotion expense +18, card fee +20, commission paid -7, other expense -48, loss on disposal of fixed assets -12, depreciation -19)	+86
✓ Decrease in general administration fees (non-recoverable consumption tax -48)	-60
Operating income	-1,046
✓ Decrease in interest payments, etc.	-51
Ordinary income	-995
Net income	-995

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

# February 2020 (36<sup>th</sup>) Period B/S Performance

Japan Retail Fund Investment Corporation

	Aug. 2019 Period (35th) (Actual)	Feb. 2020 Period (36th) (Actual)	Change
Total assets (1)	900,799	899,888	- 911
Total liabilities	466,805	464,590	- 2,214
Interest-bearing liability (2)	404,725	404,725	—
Tenant leasehold and security deposits (3)	48,594	47,978	- 616
Net assets	433,994	435,298	+ 1,303
LTV ((2)+(3)) / (1)	50.3 %	50.3 %	-0.0 points
LTV (2) / (1)	44.9 %	45.0 %	+0.0 points
Long-term borrowings ratio	100.0 %	100.0 %	—
Fixed interest rate ratio	93.3 %	93.3 %	—
Average debt cost	0.92 %	0.86 %	- 0.06 points
Number of properties	100 properties	100 properties	—
Aggregate acquisition price	883,234	877,288	- 5,945
Unrealized profits and losses	+ 161,476	+ 162,128	+ 652
Book value	832,643	826,061	- 6,582
Appraisal value	994,120	988,190	- 5,930

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

Balance of reserve	5,860	6,880	+ 1,019
Reserve for dividends	2,864	3,915	+ 1,050
Reserve for reduction entry of property	15	15	—
Reserve for temporary difference adjustments	2,981	2,949	- 31

Million yen unless otherwise noted

## Major factor behind change during Feb. 2020 (36th) period (Compared to previous period)

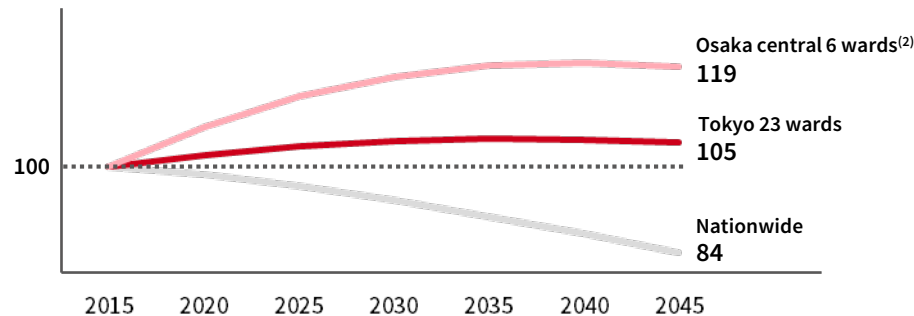
		(mn yen)
Total assets		-911
✓	Disposition of existing property	-4,501
✓	Increase in cash and bank deposits	+6,349
✓	Depreciation, loss on disposal of fixed assets	-5,435
✓	Decrease in construction in progress account	-840
✓	Capital expenditures	+4,217
✓	Decrease in other assets	-229
Total liabilities		-2,214
✓	Decrease in tenant leasehold and security deposits	-616
✓	Decrease in consumption tax payable	-523
✓	Decrease in accrued expense	-285
✓	Decrease in deposits received	-611
Net assets		+1,303
✓	Increase in reserve for dividends	+1,216
✓	Deferred gains and losses on hedges	+100
✓	Decrease of retained earnings	-14

# Appendix

## 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)<sup>(1)</sup>



- (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 country<sup>(3)</sup>

	EC penetration	EC market size
Japan	6.2%	9.2tn yen
US	10.1%	56.6tn yen
UK	17.0%	9.2tn yen
China	23.7%	61.9tn yen

- (3) Japan: Ministry of Economy, Trade and Industry, "FY 2018 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 Japan<sup>(4)</sup>

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

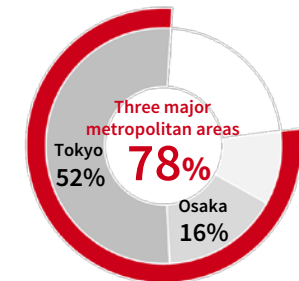
## Inbound tourism

- The number of Japan-bound tourists has been ever-increasing
- Inbound tourism consumption amounts to 4.8 trillion yen in 2019, while the EC market in Japan is 9.2 trillion yen in size
- Most of the markets of inbound tourism consumption concentrates in urban areas of three metropolitan cities, mainly in Tokyo and Osaka

Number of Japan-bound tourists and their consumption<sup>(5)</sup>

	2011	2019
Tourists	6.2mn	31.8mn
Consumption	0.8tn yen	4.8tn yen

Japan-bound tourists' consumption by prefecture<sup>(6)</sup>



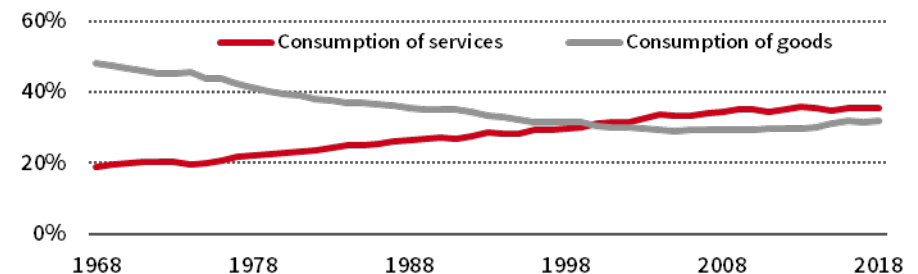
- (5) JNTO

- (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 consumption<sup>(7)</sup>



- (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

## Portfolio segmentation

Retail properties located in representative commercial districts in Japan

Retail properties located around stations used by the large number of passengers

Retail properties located around stations in highly populated areas

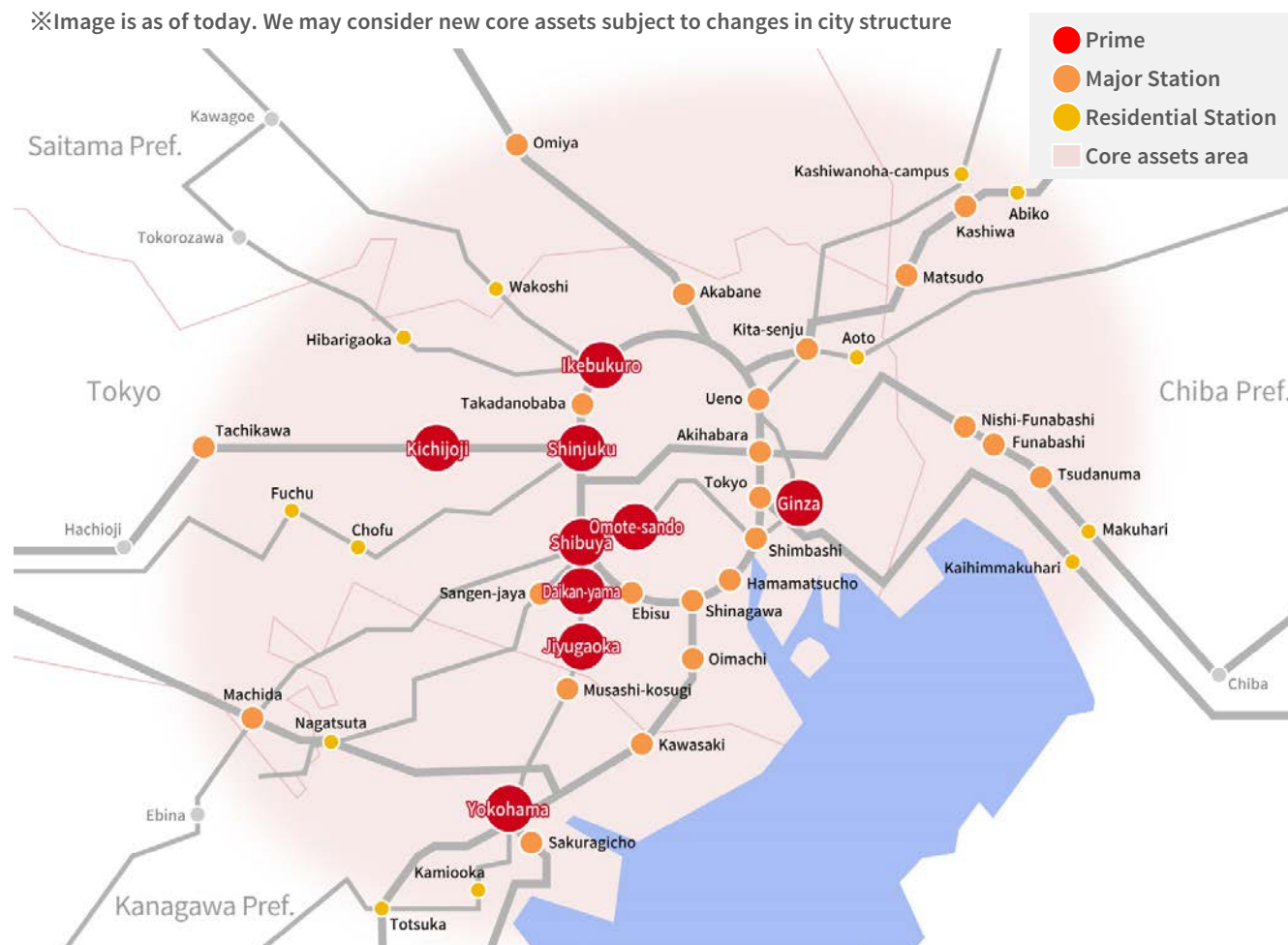
Large-scale shopping malls located in suburban areas

## High-yield retail properties with room for upside

GMS  
Roadside shopping facilities  
Assets with low investment profitability, etc.

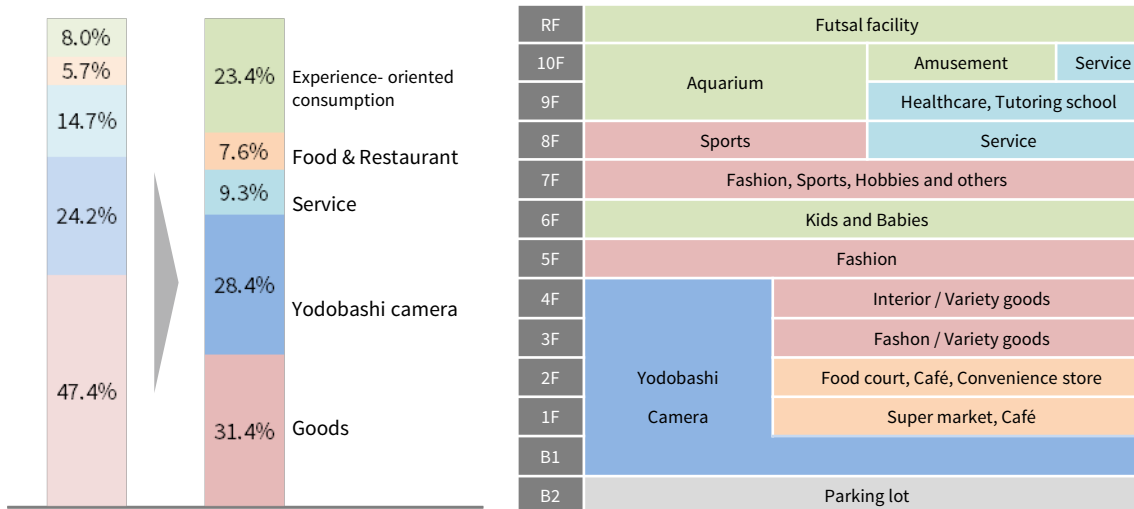
### Example of core assets location (Tokyo area)

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



## The point of renewal plan

- Marui, one of the key tenants, vacated in April 2018
- Renewal project focusing on spaces originally occupied by Marui and other specialty stores is underway from July 2018
- Tenant replacement and renewal of facilities environment due to MD revision
- Plan to attract tenants, which relate to experience-oriented consumption, such as aquarium on upper floors



Before renewal After renewal

(Note) Based on contract area

## Renewal Floor



Super market



Food court



Interior / Variety goods



Kids and Babies



Fashion

## Attraction of new aquarium utilizing AI and IoT technology

### Aim for significant visitor expansion

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

#### Planning

##### Aqua Live Investment

A specialized group led by aquarium producer Shinya Sakano who has been involved in the launch of many aquariums

#### Operations

##### SASEBO PEARL SEA

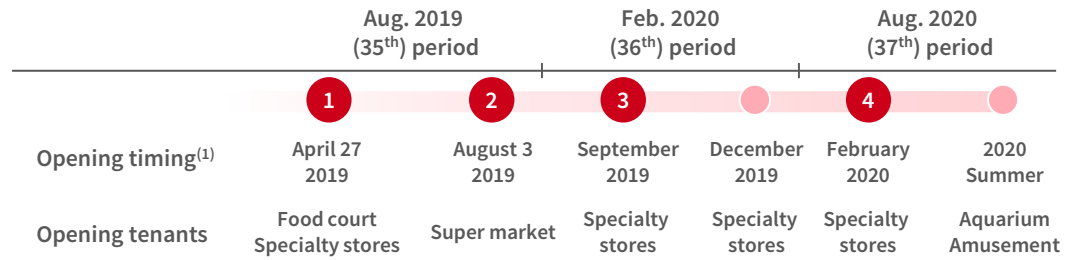
It operates Saikai National Park Kujukushima Aquarium "Umi Kirara" in Sasebo-shi, Nagasaki Pref.

#### <Image of aquarium<sup>(3)</sup>>



- (1) Estimated figure of annual average visitors calculated by tenant  
 (2) Based on an estimate formulated from properties held by JRF for movie theater, based on hearing survey by asset management company for planetarium  
 (3) These are indicative renderings and may differ from the actual development

## Project schedule



- 1** 27 stores including one of the largest food court in Kawasaki east exit serving approx. 350 seats



- 2** LIFE opened as the largest-scale super market in Kawasaki east



- 3** 11 stores on the 3rd and 5th floors reopened after renovation



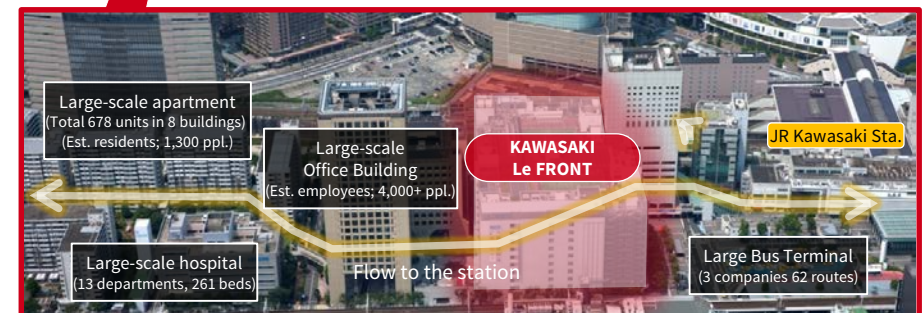
- 4** Satellite office and medical examination center opened



(1) Based on current renewal plan

## Location of property

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



## P.4

- (1) Balance of reserve after approval of distributions at the JRF's Board of Directors meeting for each period
- (2) Calculated by dividing by the issued investment units as of Feb. 2020 (36<sup>th</sup>) period
- (3) Calculated by deducting the amortization of reserve amount of reserve for temporary difference adjustments from the provision of reduction entry of property
- (4) Gain on sales of real estate / Total units as of Feb. 2020 (36<sup>th</sup>) period
- (5) (Net income – gain on sales of real estate) / Total units as of Feb. 2020 (36<sup>th</sup>) period
- (6) Calculated by deducting the amortization of reserve amount of reserve for temporary difference adjustments from the reversal amount of reserve for dividend
- (7) Includes reversal of reserve for temporary difference adjustment to avoid additional tax burden due to tax association discrepancy
- (8) 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 (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 Feb. 2020 (36<sup>th</sup>) period. Acquisition price of G-Bldg. Daikanyama 02, is the total amount of whole building and partial acquisition cost of land (1,933 million yen) and gains from exchange difference for the replacements of lands (333 million yen)

## P.5

- (1) The forecasts described herein do not guarantee
- (2) Calculated by dividing by the issued investment units as of Feb. 2020 (36<sup>th</sup>) period
- (3) 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
- (4) Depreciation and amortization outstanding - Capital expenditures

## P.6

- (1) As of the end of Feb. 2020 (36<sup>th</sup>) period
- (2) Estimated balance after distribution for Feb. 2020 (36<sup>th</sup>) period
- (3) JRF will terminate the transaction regarding the repurchase of own investment units when either the total number of repurchased own investment units or the total repurchase amount reaches the maximum amount, or when the repurchase period ends. After the completion of the repurchasing of own investment units, JRF plans to cancel all repurchased own units in this fiscal period (Aug. 2020 (37<sup>th</sup>) period)
- (4) Assuming investment units buyback at the price 109,000 yen as the end of day April 7, 2020 until reaching the total acquisition amount (the total number of units acquired is estimated to be 18,348) and cancel all acquired units in the Aug. 2020 (37<sup>th</sup>) period. The forecasts described herein do not guarantee

## P.11

- (1) JRF will acquire trust beneficiary interests in respect of the entire ownership of the building and co-ownership interest of 48.57% in the underlying land through a sale and purchase transaction, and acquire trust beneficiary interests in the remaining co-ownership interest of 51.43% in the land by exchanging the quasi-co-ownership interest of 45.04% of the trust beneficiary right in real estate. The sum of (i) the planned price for the acquisition property through purchase and (ii) the amount corresponding to the price for the acquisition property through exchange is stated
- (2) It is intended, under the Exchange Transaction, for reduction entry to be made in respect of the acquisition property through exchange, and the total gains on sales from the transfer of the disposition property will be deducted from the acquisition price of the acquisition property through exchange. Calculated by the acquisition price after these deduction

## P.13

- (1) The gap between the monthly rent of existing tenants and the market rent price specified in the appraisal reports. The monthly rents subjects are fixed-term leasing contracts in Core assets (Prime / Major station) that will be renewed after March, 2020
- (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 the end of Feb. 2020 (36<sup>th</sup>) period. The monthly rents subjects are fixed-term leasing contracts in Core assets (Prime / Major station) that will be renewed after March, 2020
- (3) Increase/decrease rate is represented by (monthly rent after revision – monthly rent before revision) / monthly rent before revision (excluding rents specified in unsigned leasing contracts)
- (4) Represented by the aggregated rents for blocks of the fixed-term leasing contracts, which will expire and renew in Core assets
- (5) Calculated by the difference of monthly rent before revision and monthly rent after revision converted to semi-annualized basis and divided it by the issued investment units as of Feb. 2020 (36<sup>th</sup>) period

## P.18

- (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) The forecasts described herein do not guarantee
- (4) Estimated balance after repurchase of own investment units

## P.22

- (1) Calculated by deducting the amortization of reserve amount of reserve for temporary difference adjustments from the provision of reduction entry of property
- (2) Gain on sales of real estate / Total units as of Feb. 2020 (36<sup>th</sup>) period
- (3) (Net income – gain on sales of real estate) / Total units as of Feb. 2020 (36<sup>th</sup>) period
- (4) Calculated by deducting the amortization of reserve amount of reserve for temporary difference adjustments from the reversal amount of reserve for dividend
- (5) Includes reversal of reserve for temporary difference adjustment to avoid additional tax burden due to tax association discrepancy
- (6) 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 (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 Feb. 2020 (36<sup>th</sup>) period. Acquisition price of G-Bldg. Daikanyama 02, is the total amount of whole building and partial acquisition cost of land (1,933 million yen) and gains from exchange difference for the replacements of lands (333 million yen)

Think bold today for a brighter tomorrow.



# Japan Retail Fund Investment Corporation

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**Asset Management Company : Mitsubishi Corp.- UBS Realty Inc.**

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