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MC-UBS GROUP

Japan Retail Fund Investment Corporation

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To all concerned parties:

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Notice Concerning Revised Forecasts for Operating Results for the Fiscal Period ending February 28, 2021 (the 38th Fiscal Period)

Japan Retail Fund Investment Corporation ("JRF") has revised forecasts for the operating results for the fiscal period ending February 28, 2021 (the 38th fiscal period: from September 1, 2020 to February 28, 2021) announced on April 13, 2020 in the "Japan Retail Fund Investment Corporation Summary of Financial Results for the Six Months Ended February 29, 2020". Details are as follows.

1. Revised forecasts for operating results for the fiscal period ending February 28, 2021 (the 38th fiscal period: from September 1, 2020 to February 28, 2021)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distributions per unit (yen) (exclusive of distributions in excess of retained earnings)	Distributions in excess of retained earnings per unit (yen)
Previous forecast (A)	30,476	12,912	11,259	11,258	4,500	0
Revised forecast (B)	29,823	12,348	10,699	10,698	4,500	0
Change (B - A)	-652	-563	-559	-559	—	—
Rate of change ((B - A) / A)	-2.1%	-4.4%	-5.0%	-5.0%	—	—

(Note 1) Number of investment units issued at the end of the fiscal period is 2,602,483 units.

(Note 2) Figures of less than one unit are truncated and percentage figures are calculated by rounding to the first decimal place.

(Note 3) Distributions in the revised forecasts are calculated based on the assumptions that a total of 11,711 million yen (distributions per unit : 4,500 yen), consist of unappropriated retained earnings at the end of the fiscal period amounting to 10,698 million yen, plus reversal of reserve for temporary difference adjustment amounting to 930 million yen and reversal of reserve for reduction entry amounting to 81 million yen, will be distributed.

(Note 4) Forecasts may be revised if results are expected to deviate from the above forecasts beyond a certain level.

(Note 5) Distributions in the previous forecasts have been calculated based on the assumptions that a total of 11,781 million yen (distributions per unit : 4,500 yen), consist of retained earnings at the end of the period amounting to 11,258 million yen, plus reversal of reserve for temporary difference adjustment amounting to 42 million yen and reversal of reserve for reduction entry amounting to 480 million yen, will be distributed.

2. Reasons for revision

JRF and MCUBS MidCity Investment Corporation ("MMI") today decided at the respective Board of Directors meetings to implement an absorption-type merger with March 1, 2021 as the effective date, in which JRF will be the surviving corporation and MMI will be the dissolving corporation (the "Merger"), and entered into a merger agreement as of today, as described in the "Notice Concerning Execution of a Merger Agreement by and between Japan Retail Fund Investment Corporation and MCUBS MidCity Investment Corporation" released today.

JRF has now revised the forecasts for the operating results for the fiscal period ending February 28, 2021, in consideration of estimated expenses of 73 million yen to be newly recorded in relation to the Merger and the current earnings trend of the properties owned by JRF considering the impact of COVID-19.

The distributions per unit are unchanged as reversal of reserve for temporary difference adjustment and reversal of reserve for reduction entry will be implemented in order to respond to the reduced net income for the fiscal period ending February 28, 2021 (38th fiscal period).

Also, there will be minimal impact of the Merger on our operating results for the fiscal period ending August 31, 2020 (37th fiscal period); thus, we have made no revision to our forecasts of such fiscal period.

3. Assumptions Underlying the Forecast of Operation for the fiscal period ending February 28, 2021 (the 38th fiscal period)

Item	Assumption
Accounting period	Fiscal period ending February 28, 2021 (the 38th fiscal period: from September 1, 2020 to February 28, 2021) (181 days)
Assets under Management	・ We assume that 102 properties, calculated by deducting the property disposed on March 2, 2020 as announced in "Notice Concerning Disposition of Trust Beneficiary Right in Ito-Yokado Nishikicho" released on May 29, 2019 and the disposed property as announced in "Notice Concerning Acquisition of Trust Beneficiary Right and Partial Disposition of Trust Beneficiary Right in Real Estate in Japan" released on March 27, 2020 from the 100 properties owned by JRF as of February 29, 2020, and adding the acquired property as announced in "Notice Concerning Acquisition of Trust Beneficiary Right in Real Estate in Japan (Machinoma Omori)", the acquired property as announced in "Notice Concerning Acquisition of Trust Beneficiary Right and Partial Disposition of Trust Beneficiary Right in Real Estate in Japan" released on March 27, 2020 and the property to be acquired (with August 31, 2020 as anticipated acquisition date) as announced in "Notice Concerning Acquisition of Trust Beneficiary Right in Real Estate in Japan (G-Bldg. Tenjin Nishi-dori 02)" released on August 26, 2020, will be the assets under management. ・ We also assume that no other changes of the assets under management (new property acquisition and disposition of owned properties, etc., excluding reconstruction of owned properties) will occur prior to the end of the fiscal period ending February 28, 2021.

Number of issued investment units	・ We assume that the number of investment units issued at the end of the fiscal period ending August 31, 2020 (the 37th fiscal period) will be 2,602,483 units, and there will be no additional issuance of new investment units or acquisition/ cancellation of own investment units.
Interest-bearing debt	・ Interest-bearing debt as of February 29, 2020 stood at 404,725 million yen, the breakdown of which is long-term debts of 360,225 million yen and investment corporation bonds (including Green Bonds) of 44,500 million yen. Meanwhile, following (i) new short term borrowing, for which a loan agreement was concluded on February 28, 2020 and took effect on March 4, 2020, (ii) debt refinancing, for which a loan agreement was concluded on March 16, 2020 and took effect on March 19 and April 2, 2020, (iii) debt refinancing, for which a loan agreement was concluded on March 27, 2020 and took effect on April 2 and April 7, 2020, (iv) debt refinancing, for which a loan agreement was concluded on April 24, 2020 and took effect on April 30, 2020, and (v) debt refinancing, for which a loan agreement was concluded on July 27, 2020 and took effect on July 31, 2020, the interest-bearing debt outstanding as of today stood at 411,725 million yen, the breakdown of which is a short-term borrowing of 7,000 million yen, long-term debts of 360,225 million yen and investment corporation bonds (including Green Bonds) of 44,500 million yen. ・ Out of the interest-bearing debt outstanding as of today, short term debts in the amount of 7,000 million yen and long-term debts in the amount of 28,075 million yen are to be repaid or redeemed during the fiscal period ending February 28, 2021 (the 38th fiscal period). We assume that we will repay them through funding including debt financing.
Operating revenues	・ Rent and other operating revenues are calculated based on the lease contracts effective as of today. ・ The rent level and estimated vacancy are calculated taking into account the negotiations with our tenants and other relevant factors that took place until today. ・ We assume that there will be no arrears or nonpayment of rent by our tenants by the end of the fiscal period ending February 28, 2021 (the 38th fiscal period). ・ Certain risks of potential decrease in revenues are assumed due to the impact of COVID-19, considering the state of negotiations with the tenants, etc. as of today.

Operating expense	・ The taxes and public charge are assumed to be 2,670 million yen. ・ With respect to fixed property taxes, city planning taxes and depreciable assets taxes (“taxes on property and equipment”) on properties owned by JRF, the tax amount assessed and payable for each corresponding accounting period will be recorded as property related expenses. However, should any need arise for settlement, such as a need to pay settlement amount for taxes on property and equipment, in relation to new property acquisitions to be made during the year in which the accounting period falls (“amounts equivalent to taxes on property and equipment”), such settlement amounts will be included in the acquisition cost of the properties and therefore are not recorded as expenses for such accounting period. Accordingly, with respect to taxes on property and equipment pertaining to the properties acquired or to be acquired in 2020 (Machinoma Omori, G-Bldg. Daikanyama 02, and G-Bldg. Tenjin Nishi-dori 02), the tax amount assessed and payable for the relevant accounting period will be recorded as property related expenses from 2021 and onwards. We have assumed the amounts equivalent to taxes on property and equipment included in the acquisition cost of Machinoma Omori, G-Bldg. Daikanyama 02, and G-Bldg. Tenjin Nishi-dori 02 to be 69 million yen in total. ・ We assume that repair and maintenance expense will be 585 million yen. ・ We assume that depreciation will be 5,439 million yen. ・ We assume that property management fees will be 795 million yen, and building management fees will be 1,603 million yen. ・ We assume that we will incur losses of 59 million yen, respectively, on disposal of property related to the facility update, etc. at each property. With respect to the loss on disposal of property described above, those related to properties whose estimated useful lives are determined to be revised as a result of the change in the estimate from an accounting perspective will be treated as depreciation. ・ We assume that temporary cost related to the Merger will be 73 million yen.
Non-operating expenses	・ We assume that non-operating expenses (including interest expense, loan-related costs, interest expenses on investment corporation bonds, etc.) will be 1,648 million yen.

Distributions per unit	・ Distributions per unit is calculated in accordance with the cash distribution policy stipulated in the Articles of Incorporation of JRF. ・ It is assumed that a total of 11,711 million yen will be distributed (distributions per unit: 4,500 yen), calculated by adding 930 million yen from the reversal of reserve for temporary difference adjustment and 81 million yen from the reversal of reserve for reduction entry of property from 10,698 million yen in unappropriated retained earnings at the end of the period. ・ It is assumed that reserve for temporary difference adjustment will be reversed in at least a 50-year equal payment (31 million yen) each fiscal period starting in the fiscal period ended August 31, 2017 (the 31st fiscal period). ・ Because amounts of tax loss carryforwards will be removed after the fiscal period ending August 31, 2020 (the 37th fiscal period), it is assumed that additional tax imposition that results from the inconsistencies between tax and accounting treatment will be avoided by reversing reserve for temporary difference adjustment.
Distributions in excess of retained earnings per unit	・ We do not plan to make distributions in excess of retained earnings for the moment.
Others	・ We assume that there will be no amendments to laws, accounting standards and the tax systems, etc. that will affect the above forecast figures in Japan. We also assume that there will be no unforeseen significant changes in general economic trends and property market movements in Japan.

This English language release is for informational purposes only, and the Japanese language release should be referred to as the original.