

Notice Concerning Disposition of Part of Ownership Interest in AEON MALL Kobe Kita

Japan Retail Fund Investment Corporation (“JRF”) announced today that Mitsubishi Corp. - UBS Realty Inc., JRF’s asset manager (the “Asset Manager”), decided to dispose part (30%) of a trust beneficiary right in a real estate property as outlined below.

1. Summary of disposition

1) Asset to be disposed of	30% ownership interest of the property’s trust beneficiary right
2) Property name	AEON MALL Kobe Kita
3) Disposition price	4,950 million yen
4) Book value	4,162 million yen (estimated value as of the expected disposition date) ^(Note)
5) Gain on disposition	784 million yen (The difference between disposition price and book value of 788 million yen less estimated expenses on disposition of 4 million yen)
6) Contract date	December 5, 2014 (scheduled)
7) Closing date	December 5, 2014 (scheduled)
8) Purchaser	DREAM Private REIT Inc.

(Note) 30% of the estimated book value as of the expected disposition date of 13,872 million yen

2. Reason for disposition

JRF is pursuing a strategy of asset replacement to improve stability and profitability of the portfolio. This disposition of property is in line with the strategy and the decision was made to dispose part of the trust beneficiary right in consideration of the need to diversify the overall portfolio including the location and tenant.

JRF and the purchaser, DREAM Private REIT Inc. will be entering into an agreement, which stipulates that disposition of the co-ownership interest, or of all or part of the portion of the underlying real estate in trust corresponding to our co-ownership interest will require prior approval from the other co-owner. In addition, both parties have agreed to discuss further on the disposition of up to 49% co-ownership interest in this property. The decision on the disposition of the remaining 19%, the price and the timing are yet to be determined.

We plan to use the proceeds from the disposition to acquire new properties in the future based on the strategy described above, and also to compensate for the loss resulting from a settlement payment arising from the lawsuit described in the press release announced today, “Notice Concerning the Settlement of the Lawsuit Brought against JRF to Reduce the Rent of 8953 Osaka Shinsaibashi Building.”

3. Outline of the property to be disposed of

Property name		AEON MALL Kobe Kita			
Type of specified asset		Trust beneficiary right in real estate			
Location		2-1, Kouzudai 8-chome, Kita-ku, Kobe-shi, Hyogo, Japan			
Land	Area	173,565.50 m ²			
	Type of possession	Ownership and sub-sublease right	Zoning	Quasi-industrial district,	
Building	Structure/Stories	Steel-framed reinforced concrete, flat-roofed,/ 5 stories with 1 basement floor			
	Total floor space	128,031.55 m ²			
	Type of possession	Ownership	Construction date	November 15, 2006	
Appraisal value		4,950 million yen (as of December 1, 2014)			
Appraisal firm		CBRE K.K.			
Description of tenant	Number of tenants (main tenant)	1			
	Rent	579 million yen	Tenant leasehold deposit	578 million yen	
	Total leased area	128,031.55 m ²	Total leasable area	128,031.55 m ²	
	Occupancy rate (based on area)	100.0%			
Collateral note		None			

Others	Part of the underlying land (total area of 6,568 m ²) is sub-subleased land, which the entrustee is its sub-sublessee. The land category in the registry is public road (currently not in service). Upon termination of the sub-sublease contract of the land, it has been agreed that the entrustee is to conduct road improvement work on an underdeveloped part of the road facilities before returning the land.
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* "Location" is indicated based on the legal residence indication, or the address in the registry.

* "Area," "total floor space," "structure/ stories," "construction date" are indicated based on the registry.

* "Zoning" is indicated in accordance with the type provided in Section 1-1, Article 8 of City Planning Act

* "Description of tenant" is based on the actual figure for the August 2014 fiscal period (March 1, 2014 to August 31, 2014).

* Figures are rounded down to the nearest one million yen and ratio is rounded to one decimal place.

4. Profile of the purchaser

Name	DREAM Private REIT Inc.
Location	16-1, Hirakawacho 2-chome, Chiyoda-ku, Tokyo
Name and Job title of Representative	Executive Officer: Takashi Tsuji
Business	Mainly asset management, as a practice of making investment in specified assets
Capital	Not disclosed
Date of Establishment	July 6, 2012
Net Assets	Not disclosed
Total Assets	Not disclosed
Relationship with JRF or asset manager	
Capital Relationship	The purchaser is an investment corporation that entrusts asset management to Diamond Realty Management Inc., which is wholly owned by Mitsubishi Corporation, the parent company of the Asset Manager (it has a 51% majority interest).
Personal Relationship	The Executive Officer of the purchaser is on a temporary transfer from Mitsubishi Corporation, the parent company of the Asset Manager (it has a 51% majority interest), and also the President & CEO of Diamond Realty Management Inc., which serves as an asset manager of the purchaser.
Trade relationship	There are no trade relationships that need to be addressed between JRF/the Asset Manager and the purchaser.
Related parties	The purchaser falls under the category of related parties in the context of the Act on Investment Trusts and Investment Corporations (Act No. 198 of June 4, 1951).

(Note) This transaction falls under the category of transactions with interested parties, in the context of the Asset Manager's rules and regulations on business transactions with related parties. Therefore, this transaction has been affirmed by the compliance office of the Asset Manager in accordance with the bylaws of the Asset Manager, and also has been approved by the investment committee and the board of directors of the Asset Manager through discussions/deliberations. Approval of the transaction requires at least six out of eight directors voting in favor at the board of directors meeting.

5. Broker

None

6. Payment

Full payment on the closing date

7. Schedule of disposition

Execution date of contract for disposition	December 5, 2014 (scheduled)
Payment date	December 5, 2014 (scheduled)
Closing date	December 5, 2014 (scheduled)

8. Future outlook of JRF

Due to this disposition, it is expected that the forecast for the distribution per unit for the February 2014 Fiscal Period (26th Fiscal Period running from September 1, 2014 to February 28, 2015) announced on October 14, 2014, will be impacted by more than 5% based on TSE's disclosure policy (gain on disposition: 784 million yen, decrease in NOI after depreciation: 48 million yen). However, the forecast will not be revised because we have taken into account the impact of the lawsuit which was the subject of a press release announced today, "Notice Concerning the Settlement of the Lawsuit Brought against JRF to Reduce the Rent of 8953 Osaka Shinsaibashi Building" (-375 million yen), and the remaining proceeds will possibly be allocated for portfolio stabilization measures, etc. Information will be provided if decisions on these measures are made.

With regard to the forecast for August 2015 Fiscal Period (27th Fiscal Period, March 1, 2015 to August 31, 2015), there will only be a slight impact on the operation and the forecast will not be revised.

9. Appraisal Report Summary

Appraiser	CBRE K.K.
Appraisal Value	4,950 million yen
Value Date	December 1, 2014

Item	Value	Notes
Indicated value by income approach		
DC method	16,500 million yen	4,950 million yen based on the disposition percentage of 30%
Operating income	1,157 million yen	
Effective gross income	1,157 million yen	
Losses from vacancy, etc.	—	
Operational cost	191 million yen	
Maintenance and management fee	0 yen	
Utility cost	0 yen	
Repair expenses	0 yen	
Property manager fee	Not disclosed	As the disclosure of this information may work to the detriment of unitholders, we have decided not to disclose the information, and include it under “other expenses.”
Leasing cost	0 yen	
Property tax	176 million yen	
Insurance premium	Not disclosed	As the disclosure of this information may work to the detriment of unitholders, we have decided not to disclose the information, and include it under “other expenses.”
Other expenses	15 million yen	
Net Operating Income	966 million yen	
Operating profit on lump-sum payments	11 million yen	
Capital expenditure	56 million yen	
Net cash flow	921 million yen	
Capitalization rate	5.60%	
DCF method	16,500 million yen	4,950 million yen based on the disposition percentage of 30%
Discount rate	5.20%	
Terminal capitalization rate	5.70%	
Indicated value by cost approach	15,500 million yen	4,420 million yen based on the disposition percentage of 30%
Land ratio	—	N/A
Building ratio	—	N/A
Other matters of consideration	N/A	

About JRF: JRF is the third listed Japanese Real Estate Investment Trust (“J-REIT”) and the first J-REIT to focus exclusively on retail properties. As of the date of this release, JRF owns 87 properties containing approximately 3.1 million square meters of leasable space.

Please refer to our website at <http://www.jrf-reit.com/english/index.html> for further details.

Contacts: For further information relating to this press release as well as JRF and Mitsubishi Corp.-UBS Realty Inc., its Asset Manager, please feel free to contact: Mr. Fuminori Imanishi (Telephone Number: 81-3-5293-7080), Head of Retail Division at Mitsubishi Corp.-UBS Realty Inc.,

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