

Japan Retail Fund Investment Corporation (Tokyo Stock Exchange Company Code: 8953)
 News Release – January 26, 2017

**Notice Concerning Disposition of Trust Beneficiary Right
 in Ito-Yokado Kamifukuoka-higashi**

Mitsubishi Corp.-UBS Realty Inc. (the "Asset Manager"), the asset manager of Japan Retail Fund Investment Corporation ("JRF"), determined today to dispose of the trust beneficiary right in Ito-Yokado Kamifukuoka-higashi (the "Property") as outlined below.

1. Summary of disposition

1) Property name	Ito-Yokado Kamifukuoka-higashi
2) Type of asset	Trust beneficiary right in real estate
3) Disposition price	6,081 million yen
4) Book value (Note)	6,026 million yen
5) Difference between disposition price and book value (Note)	55 million yen
6) Purchaser	Haseko Corporation
7) Completion date of contract	January 31, 2017 (scheduled)
8) Disposition date	March 31, 2017 (scheduled)

(Note) "Book value" refers to the estimated figures as of the end of the fiscal period ended August 2016 (the 29th period).

2. Reason for disposition

Highlights

- 1. Complete the disposition of all properties that require drastic measures in order to maintain tenant continuity and substitutability as a result of the increasingly competitive environment.**
- 2. Achieve stabilization of distributions and profit maximization by disposition of suburban-type assets with future uncertainties, leveraging the current favorable real estate market condition.**
- 3. Replace properties in order to further optimize our portfolio.**

Since JRF acquired the Property, the surrounding environment has become competitive and is expected to further intensify due to a competing facility planned to open diagonally across from the Property, which will possibly cause the Property's profitability to decline in the future. The Property is also financially constrained with its NOI yield after depreciation being 3.4%, which is below JRF's portfolio average NOI yield after depreciation of 3.7% and an unrealized loss. Under these circumstances, JRF has determined the Property is an asset that requires drastic measures to be taken. Recently, JRF has reached the decision that the best measure is to dispose of the Property for a price higher than its book value at the optimal timing while the real estate market conditions are favorable.

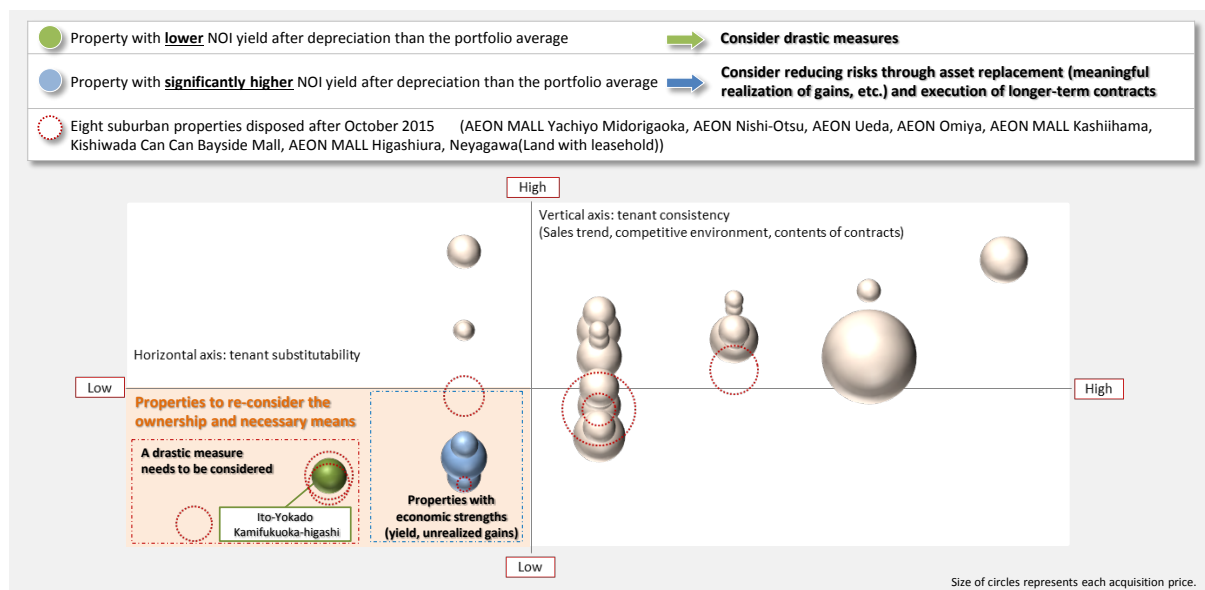
JRF, through its portfolio management, seeks to optimize the composition of its assets in line with the changes in Japan's demographics, consumption structure and behavior, and aims to increase the unitholder value by enhancing the profitability and stability of its portfolio. Under this policy, JRF is implementing its strategies of "further increase in asset size," "property replacement" and "enhancement of existing properties' value" as a measure of further growth.

This disposition will be implemented as part of the "property replacement" initiative aimed at optimizing the portfolio through the acquisition of primarily urban-type prime properties (the "Property Replacement"). The Property was determined to be an asset that requires drastic measures of suburban-type assets with risks from the viewpoint of tenant continuity and substitutability, as disclosed in "Supplemental Material on

a Series of Press Releases" dated August 2, 2016 and "The 29th Period Analyst Meeting Material (March 1, 2016 – August 31, 2016)." By the decision to dispose of the Property, JRF will complete the disposal of all properties that require drastic measures. Also that the percentage of specific tenants and GMS-type assets will decline as a result this Property Replacement and other property replacement initiatives implemented in the past.

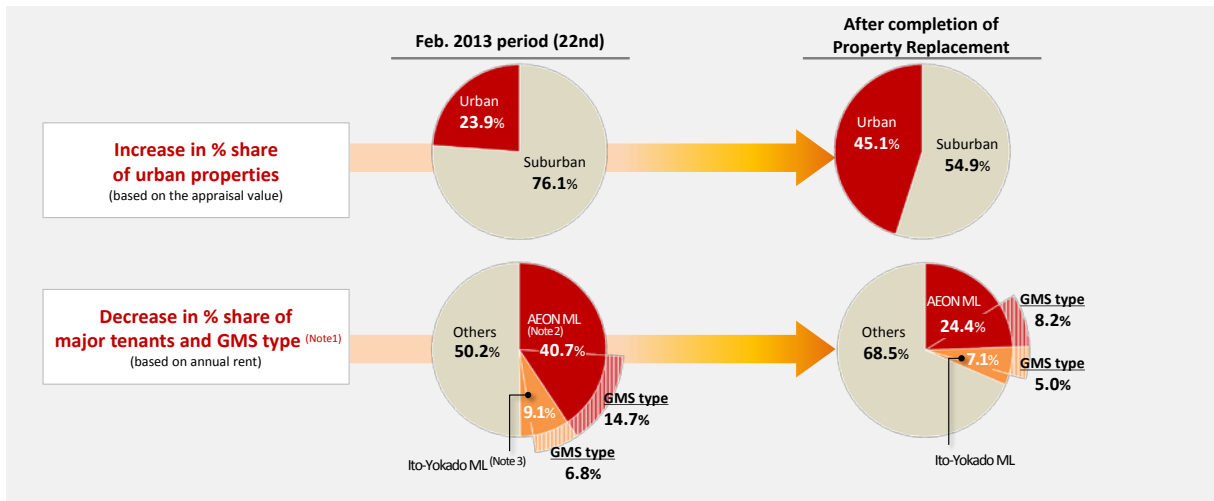
Part of the proceeds from the disposition of the Property will be used to fund the acquisition of G-Bldg. Tenjin Nishi-dori 01, as announced in the "Notice Concerning Acquisition of Trust Beneficiary Interest in G-Bldg. Tenjin Nishi-dori 01" as of January 23, 2017 (acquisition price of 4,850 million yen and NOI yield after depreciation of 3.7%). The remaining proceeds will be used primarily to fund the acquisition of urban-type prime properties, which is part of the property replacement initiative aimed at increasing the unitholder value.

■ Portfolio analysis of 39 suburban properties^(Note) (primarily the suburban properties leased to a single tenant)



(Note) "39 suburban properties" refer to 30 suburban commercial properties (other than large-sized shopping malls) leased to a single tenant, held by JRF as of today, 8 properties disposed since October 2015 and the Property.

■ Portfolio development



- (Note 1) "GMS type" in the chart above refers to a shopping center that has a GMS as the anchor tenant in addition to other specialty store tenants. GMS stands for General Merchandise Stores, which are large-scale supermarkets that sell a wide variety of daily-needs products.
- (Note 2) "AEON ML" in the chart above refers to the total annual rent of AEON Retail, AEON MALL, AEON Kyushu, AEON Ryukyu and AEON TOWN, which are master-lease tenants, expressed as a percentage of the total annual rent of all of the properties in our portfolio.
- (Note 3) "Ito-Yokado ML" in the chart above refers to the total annual rent of Ito-Yokado, which is a master-lease tenant, expressed as a percentage of the total annual rent of all of the properties in our portfolio.

3. Future outlook

The impact of the disposition of the Property on our forecasts for the fiscal periods ending February 2017 and August 2017 is minimal. As a result, the forecasts will not be revised.

4. Descriptions of the Property

Property name		Ito-Yokado Kamifukuoka-higashi		
Type of asset		Trust beneficiary right in real estate		
Trust beneficiary		Sumitomo Mitsui Trust Bank, Limited		
Trust period		September 30, 2019		
Use		Department stores		
Location (address)		1-30 Ohara 2-chome, Fujimino-shi, Saitama		
Land	Area	40,280.18 m ² (Note 1)		
	Type of possession	Ownership/surface rights (Note 1)	Zoning	Type 2 residential zone
Building	Structure/stories	Three floors above ground, steel construction with flat roof		
	Total floor area	26,951.11 m ²		
	Type of possession	Ownership	Completion date	August 24, 1999
Appraisal value		5,850 million yen (as of August 31, 2016)		
Appraiser		Japan Real Estate Institute		
Tenant summary (End of August 2016)	Number of tenant(s)	1 (Ito-Yokado)		
	Annual rent	Not disclosed (Note 2)		

	Tenant leasehold/security deposit	Not disclosed ^(Note 2)				
	Total leased area	28,316.18 m ²				
	Total leasable area	28,316.18 m ²				
	Occupancy rate (based on leased area)	End of August 2014	End of February 2015	End of August 2015	End of February 2016	End of August 2016
		100.0%	100.0%	100.0%	100.0%	100.0%
Collateral conditions		A mortgage is assigned to the land and the building in order to secure the obligation to refund the tenant leasehold and security deposit to Ito-Yokado Co., Ltd., but the mortgage is not registered.				
Special notes		Part of the land (approximately 65m ²) is included in the city planning road, and thus, is subject to building restrictions under the City Planning Act. The building is built assuming such building restrictions.				

(Note 1) The surface right for part of the land facing an arterial road (total area of 98.81m²) is included in the trust assets.

(Note 2) Not disclosed as the purchaser has not agreed to the disclosure.

- "Location" represents the address of a property or the registered address of the building.
- "Land area", "Structure/stories", "Total floor area" and "Completion date" are based on descriptions in registry books.
- "Zoning" represents the classification of land by its use, stipulated in Section 1-1, Article 8 of the City Planning Act.

5. Overview of Purchaser

7. Overview of Purchaser

Name	Haseko Corporation
Location	Not disclosed as the purchaser has not agreed to the disclosure
Title & name of representative	
Line of business	
Capital	
Date established	
Net assets	
Total assets	
Major shareholder and shareholding ratio	
Relationship with JRF / the Asset Manager	
Capital relationships	Neither JRF nor the Asset Manager has any capital relationships to note with the company. In addition, there are no capital relationships to note between interested parties and affiliated companies of JRF or the Asset Manager and those of the company.
Personal relationships	Neither JRF nor the Asset Manager has any personal relationships to note with the company.
Business relationships	Neither JRF nor the Asset Manager has any noteworthy business relationships with the company.
Related parties	The company does not fall under the category of a related party of JRF or the Asset Manager. In addition, none of the related parties or affiliated companies of the company fall under the category of related parties of JRF or the Asset Manager.

6. Overview of Brokerage

(1) Overview of Broker

1) Name	HASEKO REAL ESTATE Inc.
2) Location	31-19 Shiba 2-chome, Minato-ku, Tokyo
3) Title & name of representative	Hideki Nakata (Representative Director and President)
4) Line of business	General distribution of real estate properties 1. Purchase, sale, exchange, leasing of real estate properties, and mediating or functioning as an agent of these transactions 2. Planning, design, construction and sale of renovated condominiums 3. Operating and management and planning of real estate properties 4. Businesses ancillary to the above
5) Capital	100 million yen (September 30, 2016)
6) Date established	August 5, 1994
7) Relationship with JRF / the Asset Manager	
Capital relationship Personal relationship Business relationship	Neither JRF nor the Asset Manager has any capital, personal or business relationships to note with the company. In addition, there are no relationships to note between interested parties and affiliated companies of JRF or the Asset Manager and those of the company.
Related parties	The company does not fall under the category of a related party of JRF or the Asset Manager. In addition, none of the related parties or affiliated companies of the company fall under the category of related parties of JRF or the Asset Manager.

(2) Brokerage fee and other fee amount and breakdown

HASEKO REAL ESTATE Inc., described in (1), is acting as the agent for the disposition of the Property. The breakdown of brokerage fees, etc. for the disposition of the Property is not disclosed as HASEKO REAL ESTATE Inc. has not agreed to the disclosure.

7. Payment

Full payment at the time of transfer

8. Disposition schedule

Decision-making date	January 26, 2017
Disposition contract signing date	January 31, 2017 (Scheduled)
Payment date	March 31, 2017 (Scheduled)
Property transfer date	March 31, 2017 (Scheduled)

9. Appraisal report summary

Property name	Ito-Yokado Kamifukuoka-higashi
Appraiser	Japan Real Estate Institute
Appraisal value	5,850 million yen
Value date	August 31, 2016

Item	Value	Notes
Indicated value by income approach	5,850 million yen	
DC method	5,810 million yen	
Operating income	435 million yen	
Effective gross income	435 million yen	
Loss from vacancy, etc.	0 yen	
Operational cost	82 million yen	
Maintenance management fee	0 million yen	
Utility cost	0 yen	
Repair expenses	0 yen	
Property manager fee	Not disclosed	As the disclosure of this item may negatively affect JRF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and have included it under "Other expenses" instead.
Leasing cost	0 yen	
Property tax	75 million yen	
Insurance premium	Not disclosed	As the disclosure of this item may negatively affect JRF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and have included it under "Other expenses" instead.
Other expenses	4 million yen	
Net operating income	353 million yen	
Operating profit from lump-sum payments	20 million yen	
Capital expenditures	31 million yen	
Net income	343 million yen	
Capitalization rate	5.9%	
DCF method	5,880 million yen	
Discount rate	5.4%	
Terminal capitalization rate	5.9%	
Indicated value by cost approach	5,700 million yen	
Land ratio	74.2%	
Building ratio	25.8%	

Other matters of consideration	N/A
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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. 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. Keita Araki (Telephone Number: 81-3-5293-7080), Head of Retail Division at Mitsubishi Corp.-UBS Realty Inc.

Investor Relations: Telephone Number: 81-3-5293-7081

E-mail: jrf-8953.ir@mc-ubs.com

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