

August 28, 2018

To all concerned parties:

Investment Corporation

Japan Retail Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 8953)

Representative: Shuichi Namba, Executive Director

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Asset Management Company

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Notice Concerning Acquisition of a Trust Beneficiary Right
in the Real Estate in Japan (m-city Kashiwa)

Japan Retail Fund Investment Corporation (“JRF”) announced today that Mitsubishi Corp. – UBS Realty Inc., JRF’s asset manager (the “Asset Manager”), determined to acquire a trust beneficiary right in the real estate of m-city Kashiwa (the “Property”) as outlined below.

1. Overview of acquisition

1) Property type	Trust beneficiary right in the real estate
2) Property name	m-city Kashiwa ^(Note 1)
3) Location	10 Oyamadai 1-chome, kashiwa-shi, Chiba, etc.
4) Acquisition price (scheduled)	5,520 million yen
5) Appraisal value	5,980 million yen (as of August 1, 2018)
6) Contract completion date (scheduled)	August 30, 2018 (Scheduled)
7) Acquisition date (scheduled)	February 1, 2019 (Scheduled)
8) Seller	Not disclosed ^(Note 2)
9) Acquisition funds (scheduled)	Cash on hand (Scheduled)
10) Payment	Full payment at closing

(Note 1) The property is currently known as KOJIMA × Bic Camera Kashiwa, but the above name shall be used for management purposes by the Asset Manager following the acquisition.

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

2. Reasons for Acquisition

JRF is improving the ratio of urban type assets in the medium-term while carefully selecting commuter-town type assets investment, particularly from the perspectives of superiority of location and tenant substitutability assets.

The acquisition of the Property is intended to enhance the stability of its portfolio by replacing the AEON Tobata Shopping Center, which is expected to undergo an intensification of competition among facilities and a substantial decline in trade area population, as announced in the “Notice Concerning Disposition of Trust Beneficiary Right in AEON Tobata Shopping Center” dated August 28, 2018.

For acquisition of the Property, JRF evaluated the followings:

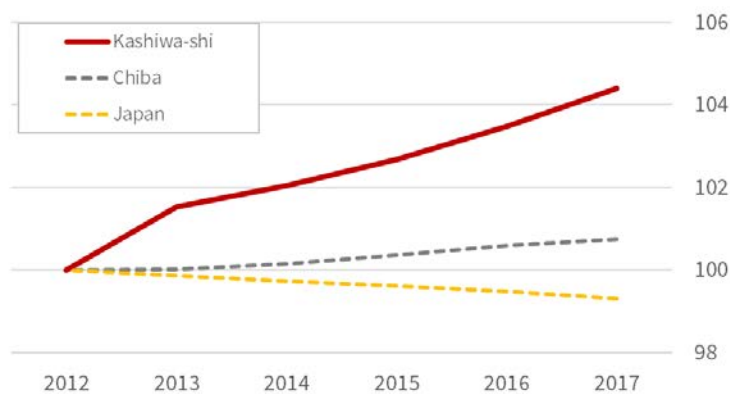
Highlight of acquisition

A retail complex with tenants that focus on daily needs and have strong abilities to attract customers located in a commercial cluster surrounded by high population density areas of Kashiwa-shi, Chiba with rising populations.

Attractiveness of market

- Since 2012, the population of Kashiwa-shi is growing at rate that exceeds the populations of Chiba and Japan
- As a bedroom community with a population of 183,000 within a 3 km radius and 394,000 within a 5 km radius, the market has a high trade population.

<Changes in Populations of Kashiwa-shi, Chiba and Japan (Note)>



(Note) The populations of Kashiwa-shi, Chiba and Japan in 2012 are set to 100.

Attractiveness of location

- As a result of district planning, there is a concentration of commercial facilities such as large specialty stores and restaurants in the area, and the area as a whole has a high level of commercial purpose.
- Excellent location facing a major road (National Route 16), which circles the Tokyo Metropolitan area, providing high visibility and access to parking from both the east and west. The location is superior to those of nearby competing stores.
- The Property is surrounded by high population density areas and is adjacent to a large park, making it a location with considerable customer drawing power.



Attractiveness of facility

- The tenant makeup includes LOPIA, a supermarket; Nitori, a furniture and interior goods retailer; Seria, a 100-yen store; and KOJIMA × Bic Camera, an electronics mass seller, providing a high level of customer drawing power.
- Roof and surface parking can accommodate more than 600 cars, which is sufficient capacity.
- The current master lease rent is relatively low, and it is expected that when the master lease agreement (Fixed-term lease contract until March 23, 2026) expires, there will be an upside by engaging in direct leasing.

<Floor Map>

Building B					Building A	
RF					Parking lot	
3F	Parking lot			Drive way	Parking lot	
2F	Nitori (Furniture/Interior Goods)			Drive way	KOJIMA × Bic Camera (Electronics Retail)	
1F	Nitori (Furniture/Interior Goods)	Genki no heiwado (Second hand store)	Seria (100-yen store)	Drive way	LOPIA (Supermarkets)	KOJIMA × Bic Camera (Electronics Retail)

■ Photo / Property Location Map
Aerial Photo of the Property



Property photo (Bldg. A)



Property photo (Bldg. B)



Map



3. Property Summary ^(Note1)

Property summary					
Property name (Property Number)		m-city Kashiwa (U-47)			
Type of asset		Trust beneficiary right in the real estate			
Trustee		Mitsubishi UFJ Trust and Banking Corporation (Scheduled)			
Trust period		March 24, 2006 – February 28, 2029 (Scheduled)			
Location		Bldg. A: 10, Oyamadai 1-chome, kashiwa-shi, Chiba Bldg. B: 29, Oyamadai 1-chome, kashiwa-shi, Chiba			
Land	Land area	19,053.98 m ²	Zoning	Category II residential district, quasi-residential district	
	FAR / building-to-land ratio	200%／60%	Type of possession	Ownership	
Building	Structure / stories	Bldg. A: 4 stories above ground, steel frame with flat roof Bldg. B: 3 stories above ground, steel frame with flat roof			
	Total floor area	Bldg. A: 10,090.80 m ² Bldg. B: 10,346.56 m ²	Type	Retail	
	Completion date	September 29, 2000	Type of possession	Ownership	
	Design	KAI GENERALIZE ARCHITECT ENGINEERS INC.			
	Construction	Shoken Co.,Ltd			
	Constructional Inspector	Building official of Kashiwa City			
	PML	5.1% (Based on the earthquake risk assessment (details) report dated March 2018 jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation)			
Acquisition price		5,520 million yen			
Appraisal value		5,980 million yen (as of August 1, 2018)			
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.			
Tenant summary	Number of tenants (main tenants)		1 (KOJIMA x Bic Camera)		
	Annual rent		Not disclosed (Note2)		
	Tenant leasehold / security deposit		Not disclosed (Note2)		
	Total leased area		Bldg. A: 10,090.80 m ² Bldg. B: 10,346.56 m ²	Occupancy rate (based on leased area)	100.0%
	Total leasable area		Bldg. A: 10,090.80 m ² Bldg. B: 10,346.56 m ²		
	Main tenants	Period of contract		12 years (until March 23, 2026)	
		Type of contract		Fixed-term lease contract	
		Revision of rent		Not disclosed (Note2)	
		Early termination		Not disclosed (Note2)	
Collateral conditions		None			
Special notes		Earthquake proofing construction was performed in response to indications in a past survey (completed in August 2016). Prior to acquiring the Property, JRF engaged ERI Solution Co., Ltd. to prepare an earthquake resistance reinforcement construction inspection report and received from ERI Solution an assessment that there are no problems regarding the suitability of the earthquake resistance reinforcement construction.			

• Figures of less than one hundred yen are rounded down, and percentages are rounded to the nearest second decimal place.

• “Location” represents the address of each property or the registered address of the building.

• “Land area” and “Total floor area” 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.

• “Number of tenants” represents the total number of lease contracts as of today.

• “Total leased area” and “Total leasable area” represent the total sums and areas in the lease contracts, etc. as of today.

(Note1) Other than items where the Building A and Building B are specified individually, the particulars and figures refer to the entire Property.

(Note2) Not disclosed as the tenant has not agreed to the disclosure.

4. Profile of the Seller

The seller is a domestic company but we have not obtained the necessary permission from the seller to disclose its name and other related information. There are no capital, personal or business relationships to note between JRF/the Asset Manager and the seller. In addition, the seller does not fall under the category of a related party of JRF/the Asset Manager.

5. Ownership History of the Building to Be Acquired

The Property is not acquired from a seller which falls under the category of an interested party of JRF and the Asset Manager.

6. Broker

None

7. Matters Concerning Forward Commitment

Under the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators", the acquisition of the Property is considered to be a "forward commitment, etc. ^(Note)" by an investment corporation.

JRF plans to acquire the Property using the proceeds from the sales of the AEON Tobata Shopping Center announced in the "Notice Concerning Disposition of Trust Beneficiary Right in AEON Tobata Shopping Center" dated August 28, 2018 and believes that the possibility of not being able to carry out the forward commitment is extremely low. However, in the event that JRF cannot meet its forward commitment, 20% of the expected purchase price shall be paid as a penalty for breach of contract.

(Note) Forward commitment, etc. is defined as "a postdated sales and purchase agreement which provides for the delivery and settlement to take place one month or more from the effective date of the agreement or any other related agreements."

8. Means of Payment

Full payment at closing

9. Planned Acquisition Schedule

Decision-making date	August 28, 2018
Purchase agreement signing date	August 30, 2018 (Scheduled)
Payment date	February 1, 2019 (Scheduled)
Acquisition date	February 1, 2019 (Scheduled)

10. Future Outlook

There will be no impact on our operating results for the August 2018 fiscal period (from March 1, 2018 to August 31, 2018) and minimal impact on February 2019 fiscal period (from September 1, 2018 to February 28, 2019); thus, we have made no revision to our forecasts.

11. Appraisal Report Summary

Property name	m-city Kashiwa
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Appraisal value	5,980 million yen
Appraisal date	August 1, 2018

Item	Value	Notes
Indicated value by income approach	5,980 million yen	
DC method	5,970 million yen	
Operating income	Not disclosed	As the disclosure of this item may negatively affect JRF's competitiveness and business to the detriment of its unitholders, we have decided not to disclose this information here.
Effective gross income	Not disclosed	
Losses from vacancy, etc.	Not disclosed	
Operational cost	Not disclosed	
Maintenance and management fee	37 million yen	
Utility cost	3 million yen	
Repair expenses	10 million 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	3 million yen	
Property tax	42 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	7 million yen	
Net operating income	309 million yen	
Operating profit on lump-sum payments	2 million yen	
Capital expenditure	19 million yen	
Net cash flow	292 million yen	
Capitalization rate	4.9 %	
DCF method	5,990 million yen	
Discount rate	4.4 %	
Terminal capitalization rate	4.9 %	
Indicated value by cost approach	6,560 million yen	
Land ratio	79.9 %	
Building ratio	20.1 %	

Other matters of consideration	A master lease agreement was executed with KOJIMA × Bic Camera for the Property, but the agreement is a fixed-term lease agreement, and consequently, the appraiser made its assessments based on anticipation which shifts to leases with multiple tenants over the medium to long term.
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[Reference]

Prospective Income and Expenditures for the property

Prospective Income and Expenditures	Current	Appraisal
NOI (Net Operating Income)	262 million yen	309 million yen
NOI yield	4.7%	5.6%
Depreciation	35 million yen	
NOI yield after depreciation	4.1%	5.0%

- The current NOI is based on the annual income according to the lease contract as of today.
- Appraisal NOI refers to NOI used in the Direct Capitalization Method on the appraisal report.
- NOI yield is calculated by dividing NOI by the acquisition price and rounded to the nearest second decimal place.
- NOI yield after depreciation is calculated by dividing NOI after deducting depreciation by the acquisition price and rounded to the nearest second decimal place.