

October 17, 2018

To all concerned parties:

Investment Corporation

Japan Retail Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 8953)

Representative: Shuichi Namba, Executive Director

URL: <http://www.jrf-reit.com/english/>

Asset Management Company

Mitsubishi Corp.-UBS Realty Inc.

Representative: Katsuhisa Sakai, President & CEO

Inquiries: Keita Araki, Head of Retail Division

TEL: +81-3-5293-7081

Notice Concerning Acquisition of a Trust Beneficiary Right
in the Real Estate in Japan (G-Bldg. Minami Aoyama 03)

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 G-Bldg. Minami Aoyama 03 (the “Property”) as outlined below.

1. Overview of acquisition

1) Property type	Trust beneficiary right in the real estate
2) Property name	G-Bldg. Minami Aoyama 03 ^(Note 1)
3) Location	2-12, Minami Aoyama 5-chome, Minato-ku, Tokyo, etc.
4) Acquisition price (scheduled)	12,200 million yen
5) Appraisal value	12,400 million yen (as of September 30, 2018)
6) Contract completion date	October 17, 2018
7) Acquisition date (scheduled)	October 25, 2018 (Scheduled)
8) Seller	Not disclosed ^(Note 2)
9) Acquisition funds (scheduled)	Cash on hand and debt (Scheduled)
10) Payment	Full payment at closing

(Note 1) The property is currently known as R2, 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 promotes the optimization of its asset structure, which flexibly adapts to changes in demographics, consumption structures, and trends in Japan. To optimize its asset structure, JRF divides portfolio assets into Core, Secondary core, and Sub, ^(Note 1) focusing its portfolio on Core assets that can provide spaces where people can gather and allow JRF to exhibit its ability to attract people. In an effort to raise the proportion of Core assets, JRF is also vigorously implementing its asset replacement strategy.

The acquisition of the Property is based on this asset replacement strategy. It is a property classified as a Prime asset located in the Omotesando-Aoyama-Harajuku area, one of Japan’s key retail centers.

(Note 1) The Core is classified into the Prime types (Retail properties located in representative commercial districts in Japan), Major Station types (Retail properties located around stations used by the large number of passengers), and Residential Station types (Retail properties located around stations in highly populated areas), while the Secondary core is classified into the Suburban Mall and Value-added types, and the Sub into the GMS / Roadside types.

For acquisition of the Property, JRF evaluated the following:

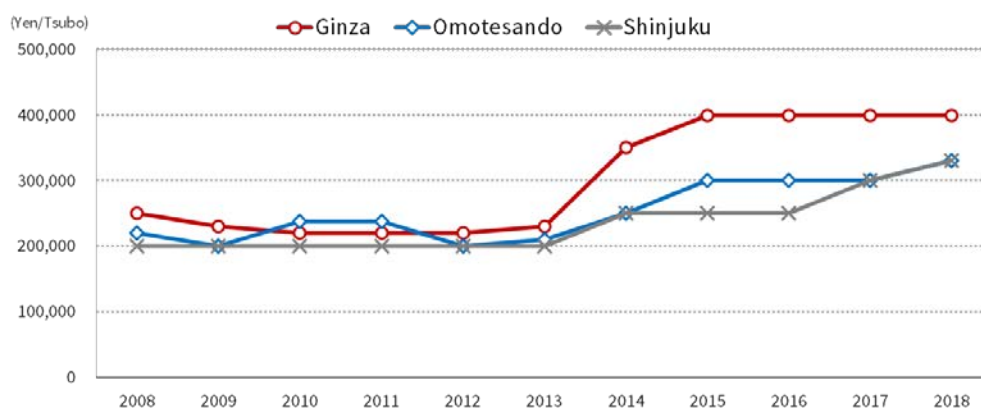
Highlight of acquisition

A retail property located in the Minami Aoyama area—a prime urban district where flagship stores of world-leading luxury and designers brands are concentrated

Attractiveness of market



- The Property is located in the Omotesando-Aoyama-Harajuku area, one of Japan's leading retail areas, which attracts a range of tenants dealing in luxury as well as casual brands.
- The rent level in the Omotesando area is on an upward trend as tenants attaching importance to the power of transmitting information have been opening stores in the area, including first stores in Japan and flagship shops.
- This acquisition brings the number of properties acquired by JRF in the Omotesando-Aoyama-Harajuku area to 15, with acquisition price totaling 102.1 billion yen. Since the largest number of its properties is located in the area, JRF knows the trends of the area thoroughly. Substantial increases in rents have been realized for two properties owned in the Minami Aoyama area.

<Change in highest rents in major commercial districts (Ginza, Omotesando and Shinjuku)>



(Source) Prepared by the Asset Manager based on "Retail Store Market Information" by CBRE K.K.

Example of rent growth in Minami Aoyama area

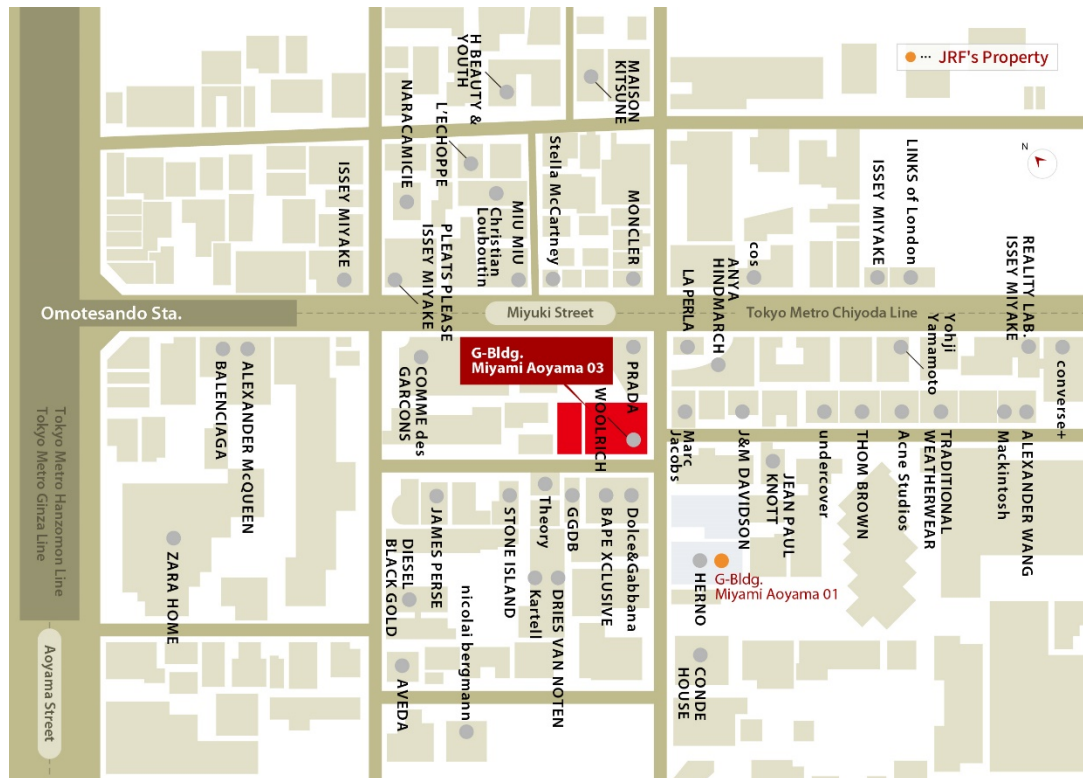
Property name	G-Bldg. Minami Aoyama 01	G-Bldg. Minami Aoyama 02
Property photo		
Number of tenants	1	1
Leased area	Approx. 200 tsubo	Approx. 350 tsubo
Rate growth ^(Note1)	+118%	+26%

(Note 1) The rent growth is represented by (monthly rent after revision – monthly rent before revision) / monthly rent before revision.

Attractiveness of location

- The Property is located on a corner lot close to Miyuki Street, the main thoroughfare for the Minami Aoyama area, which attracts fashion and trend-conscious consumers and foreign tourists.
- The Property lies between Miyuki Street and Kotto Street, which feature rows of stores and busy customer traffic, and is surrounded by more than 40 brand shops.

Neighborhood map (Omotesando – Miyuki Street)



Neighborhood photo (Miyuki Street)



Attractiveness of facility

- The building has two aboveground stories and one basement level and offers excellent tenant visibility due to the design of the store façade facing the front road. The façade of the Property is also long enough to allow the use of walls for signs.

■ Property photo / Property Location Map

Property photo



Map (JRF's properties are indicated in red)



3. Property Summary ^(Note1)

Property Summary					
Property name (Property Number)		G-Bldg. Minami Aoyama 03 (U-57)			
Type of asset		Trust beneficiary right in the real estate			
Trustee		Mizuho Trust & Banking Co., Ltd.			
Trust period		February 24, 2012 – October 31, 2028 (Scheduled)			
Location		Bldg. A: 2-12, Minami Aoyama 5-chome, Minato-ku, Tokyo Bldg. B: 2-13, Minami Aoyama 5-chome, Minato-ku, Tokyo			
Land	Land area		962.47 m ² ^(Note2)	Zoning	Category II exclusive high and medium building residential district
	FAR / building-to-land ratio		Bldg. A: 300%/70% Bldg. B: 300%/60%	Type of possession	Ownership
Building	Structure / stories		2 stories above ground and 1 basement floor, SRC-structure building with steel structure flat roof		
	Total floor area		Bldg. A: 960.74 m ² Bldg. B: 463.09 m ²	Type	Retail
	Completion date		August 31, 2009	Type of possession	Ownership
	Design		Takenaka Corporation, Tokyo First-class Architect Office		
	Construction		Takenaka Corporation		
	Constructional Inspector		JAPAN ERI CO.,LTD.		
	PML		6.0% (Based on the earthquake risk assessment (details) report dated September 2018 jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation)		
Acquisition price		12,200 million yen			
Appraisal value		12,400 million yen (as of September 30, 2018)			
Appraiser		CBRE K.K.			
Tenant summary	Number of tenants (main tenants)		6 / WOOLRICH		
	Annual rent		387 million yen		
	Tenant leasehold / security deposit		327 million yen		
	Total leased area		Bldg. A: 910.37 m ² Bldg. B: 463.09 m ²	Occupancy rate (based on leased area)	100.0% ^(Note3)
	Total leasable area		Bldg. A: 910.37 m ² Bldg. B: 463.09 m ²		
	Main tenants	Period of contract	5 years (until August 31, 2023)		
		Type of contract	Fixed-term lease contract		
		Revision of rent	Not disclosed ^(Note4)		
		Early termination	Not disclosed ^(Note4)		
Collateral conditions		None			
Special notes		JRF plans to lease the property as a master lessee from Trust beneficiary “Mizuho Trust & Banking Co., Ltd.” and sublease to each end tenant mentioned above.			

• 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 August 31, 2018.

• “Total leased area” and “Total leasable area” represent the total sums and areas in the lease contracts, etc. as of August 31, 2018.

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

(Note2) Land area includes a private road. (Approx. 78.55 m²).

(Note3) As of August 31, 2018

(Note4) Not disclosed as the tenant has not agreed to the disclosure.

4. Profile of the Seller

The seller is a domestic Godo Kaisha 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

(1) Overview of Broker

1) Name	Mizuho Trust & Banking Co., Ltd.
2) Location	2-1, Yaesu 1-chome, Chuo-ku, Tokyo, Japan
3) Title & name of representative	Tetsuo Iimori, President & CEO
4) Line of business	Trust banking and banking businesses
5) Capital	247.3 billion yen (as of March 31, 2018)
6) Date established	May 9, 1925
7) Relationship with JRF / the Asset Manager	
Capital relationship	Neither JRF nor the Asset Manager has any capital, personal or business relationships to note with the company.
Personal relationship	
Trade relationship	
Related parties	The company does not fall under the category of a related party of JRF or the Asset Manager.

(2) Brokerage fee and other fee amount and breakdown

Mizuho Trust & Banking Co., Ltd., described in (1), acted as an agent for the above acquisition of the Property. The breakdown of brokerage fees for the transaction is not disclosed as Mizuho Trust & Banking Co., Ltd. has not agreed to the disclosure.

7. Matters Concerning Forward Commitment

None

8. Means of Payment

Full payment at closing

9. Planned Acquisition Schedule

Decision-making date	October 17, 2018
Purchase agreement signing date	October 17, 2018
Payment date	October 25, 2018 (Scheduled)
Acquisition date	October 25, 2018 (Scheduled)

10. Future Outlook

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

11. Appraisal Report Summary

Property name	G-Bldg. Minami Aoyama 03
Appraiser	CBRE K.K.
Appraisal value	12,400 million yen
Appraisal date	September 30, 2018

Item	Value	Notes
Indicated value by income approach	12,400 million yen	
DC method	12,300 million yen	
Operating income	406 million yen	
Effective gross income	414 million yen	
Losses from vacancy, etc.	8 million yen	
Operational cost	38 million yen	
Maintenance and management fee	4 million yen	
Utility cost	12 million yen	
Repair expenses	0 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	17 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	0 million yen	
Net operating income	367 million yen	
Operating profit on lump-sum payments	3 million yen	
Capital expenditure	1 million yen	
Net cash flow	369 million yen	
Capitalization rate	3.0 %	
DCF method	12,400 million yen	
Discount rate	2.6 %	
Terminal capitalization rate	3.0 %	
Indicated value by cost approach	5,660 million yen	
Land ratio	96.0 %	
Building ratio	4.0 %	

Other matters of consideration	The Property is a rented commercial building, and therefore its economic value is derived primarily from its profitability. The appraisal value of the target property has been determined mainly by factoring in the indicated value by income approach, which most reflects the economic value of the target property as an income producing property, with the indicated value by cost approach used only as a reference.
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[Reference]

Prospective Income and Expenditures for the property

Current Income and Expenditures	
NOI (Net Operating Income)	361 million yen
NOI yield	3.0%
Depreciation	15 million yen
NOI yield after depreciation	2.8%

- The current NOI is based on the annual income according to the lease contract as of August 31, 2018.
- NOI yield is calculated by dividing NOI by the acquisition price and rounded to the nearest second decimal place.
- Depreciation is the approximate estimate as of today.
- NOI yield after depreciation is calculated by dividing NOI after deducting depreciation by the acquisition price and rounded to the nearest second decimal place.