

February 20, 2019

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.

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Notice Concerning Disposition of Trust Beneficiary Right
in 8953 Osaka Shinsaibashi Building

Japan Retail Fund Investment Corporation (“JRF”) announced today that Mitsubishi Corp. – UBS Realty Inc., JRF’s asset manager (the “Asset Manager”), determined to dispose of the trust beneficiary right in 8953 Osaka Shinsaibashi Building (the “Property”) as outlined below.

1. Overview of Disposition

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| 1) Property name | 8953 Osaka Shinsaibashi Building |
| 2) Type of asset | Trust beneficiary right in real estate |
| 3) Disposition price | 14,900 million yen |
| 4) Book value ^(Note 1) | 12,038 million yen |
| 5) Difference between disposition price and book value ^(Note 1) | 2,861 million yen |
| 6) Purchaser | Not disclosed ^(Note 2) |
| 7) Completion date of contract | February 21, 2019 (scheduled) |
| 8) Disposition date | August 30, 2019 (scheduled) |

(Note 1) Book value refers to the estimated figures as of the end of the fiscal period ended August 2019 (the 35th period).

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

2. Reason for Disposition

Highlights

Negotiating for contract renewal with the whole-building leasing tenant under ordinary building leasing contracts, various scenarios are comprehensively examined for assigning property at a price exceeding the book value and appraisal value: continued ownership after confirming long-period occupancy of current tenant, continued ownership in view of future tenant replacement, conversion and reconstruction, and asset replacement.

JRF is optimizing its asset structure in response to changes in the environment surrounding retail properties including changes in demographics in Japan, expanding inbound tourism, advances in e-commerce, and increasing leisure time. To optimize its asset structure, JRF has divided its portfolio into Core, Secondary core, and Sub assets ^(Note 1) and is focusing on the portfolio of Core properties in locations where people gather and that enable JRF to demonstrate its ability to attract people.

As it increases the percentage of Core assets, JRF will place greater emphasis on its asset replacement strategy from Sub assets to Core assets.

The Property has to date been classified into "Sub" as an asset with low investment profitability in the portfolio definition. It has been regarded as "asset to be replaced." Various scenarios have been examined during negotiations about renewal of the ordinary building leasing contract with the current tenant: (1) continued ownership after confirming long-period occupancy of the current tenant, (2) continued ownership in view of future tenant replacement, conversion and reconstruction, and (3) asset replacement. We thus decided to assign the Property, believing that the best way for contributing to improving the unitholder's value is to assign the Property for a price above its book value and appraisal value, utilize the funds resulting from the assignment and make efforts to acquire core assets, considering the following;

Type of Contract

- Since the current contract is an ordinary building leasing contract favorable for tenant, it may be quite challenging to change the contract for a more stable long-term leasing contract that could be favorable to JRF.

Location of the Property

- The Property is located in the Shinsaibashi district where is a favorable location for real estate properties. However, it is surrounded by areas of a mix of offices and hotels and its commercial attractiveness is subordinated.
- The Property may be used most effectively as a mixed-use facility composed of shops, offices and hotels, rather than as a single commercial facility.

Characteristics of the Building

- The Building has large dimensions and has the current tenant's specified characteristics, and thus has limited adaptability.
- In case of re-tenanting or conversion, an appropriate additional investment and one year of downtime are expected.
- If the Property becomes a multi-tenant building, the rentable area will greatly be reduced. In the case of re-tenanting it at the current level of market leasing prices will have the risk of greatly reducing the profitability (Appraisal NOI yield after depreciation in consideration of future risks: 2.8%).
- The Building's book value was 2.1 billion yen as of the end of August 2018. If it is reconstructed, large amounts of loss will be realized on loss on disposal of fixed assets and demolition costs. In addition, a reconstruction will impose three years of downtime.

Price-related Matter

- An amount of 12.0 billion yen is the Property's expected book value as of the end of August 2019, whereas its appraisal value as of the end of August 2018 was 14.0 billion yen.
- If the Property is sold for a disposition price of 14.9 billion yen, a gain on sale of approximately 2.7 billion yen will be secured. Moreover, if a part of such gain on sale is set aside as reserve for dividend, a stable distribution level can be expected for the future.

(Note 1) The Core asset category comprises "Prime, Major Station, and Residential Station" type properties; the Secondary core asset category comprises "Suburban Mall and Value-added" type properties; and the Sub asset category comprises "GMS / Roadside and Other retail properties with low-yield" type properties.

3. Property Summary

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|--|---------------------------------------|---|----------------------|--------------------|----------------------|--------------------|
| Property name (Property Number) | | 8953 Osaka Shinsaibashi Building (U-1) | | | | |
| Type of asset | | Trust beneficiary right in real estate | | | | |
| Trust beneficiary | | Mitsubishi UFJ Trust and Banking Corporation | | | | |
| Trust period | | February 28, 2029 | | | | |
| Type | | Retail / Parking | | | | |
| Location (address) | | 4-12 Minami Semba 3-chome, Chuo-ku, Osaka-shi, Osaka | | | | |
| Land | Land area | 1,818.67 m ² | | | | |
| | Type of possession | Ownership | | Zoning | Commercial district | |
| Building | Structure / stories | 10 stories above ground and 2 basement floors, SRC-structure building with steel structure flat roof | | | | |
| | Total floor area | 14,014.86 m ² | | | | |
| | Type of possession | Ownership | | Completion date | January 22, 1999 | |
| Appraisal value | | 14,000 million yen (as of August 31,2018) | | | | |
| Appraiser | | Tanizawa Sōgō Appraisal Co., Ltd. | | | | |
| Tenant Summary (as of end of August 2018) | Number of tenants (main tenants) | 1 (TOKYU HANDS INC.) | | | | |
| | Annual rent | 729 million yen | | | | |
| | Tenant leasehold / security deposit | 798 million yen | | | | |
| | Total leased area | 13,666.96 m ² | | | | |
| | Total leasable area | 13,666.96 m ² | | | | |
| | Occupancy rate (based on leased area) | End of August 2016 | End of February 2017 | End of August 2017 | End of February 2018 | End of August 2018 |
| | | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Collateral conditions | | None | | | | |
| Special notes | | We have agreed with the purchaser of the Property under the sales agreement on the assignment of the Property that JRF is responsible for repairing and having the tenant of the Property repair some of the matters pointed out about the Property under the Building Standards Law. | | | | |

- Figures of less than one million 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.
- “Total leased area” and “Total leasable area” represent the total areas in the lease contracts, etc. as of today.

4. Overview of Purchaser

The purchaser is a domestic company but we have not obtained the necessary permission from the purchaser 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 purchaser. In addition, the purchaser does not fall under the category of a related party of JRF/the Asset Manager.

5. Overview of Brokerage

(1) Overview of Broker

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|---|---|
| 1) Name | Savills Japan Co., Ltd. |
| 2) Location | 2-7-1 Yurakucho, Chiyoda-ku, Tokyo |
| 3) Title & name of representative | Representative Director, CEO – Japan, Christian F. Mancini |
| 4) Line of business | 1. Consulting service related to management and operation of real estate properties 2. Broker and agent services related to purchase, sale and leasing of real estate properties 3. Purchase, sale, leasing, broker and management of real estate properties 4. Survey services related to investment in and management of real estate properties 5. Services related to appraisal of real estate properties 6. Type II Financial Instruments Business under Financial Instruments and Exchange Act 7. Any other auxiliary and/or related businesses to the items described above |
| 5) Capital | 50 million yen (As of January 31, 2019) |
| 6) Date established | August 23, 2004 |
| 7) Relationship with JRF / the Asset Manager | |
| Capital relationship Personal relationship Trade relationship | There is no capital, personal or trade relationships that need to be addressed between JRF/the Asset Manager and the broker. |
| 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

Savills Japan Co., Ltd. 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 Savills Japan Co., Ltd. has not agreed to the disclosure.

6. Matters Concerning Forward Commitment

A sales agreement on the assignment of the Property falls under the investment corporation's "Forward Commitment, etc." ^(Note) described in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. defined by the Financial Services Agency.

In case of any serious breach by JRF or the assignee of the sales contract on the assignment of the Property, if the breaching party does not fulfil his duties or correct the breach within the period of time specified by the other party for fulfilling the duty or correcting the breach, the other party shall be authorized to cancel all or part of the sales contract and demand the breaching party to pay a penalty corresponding to a 10% of the sales price.

(Note) Forward commitment 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.”

7. Means of Payment

Full payment at the time of transfer

8. Disposition Schedule

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|-----------------------------------|-------------------------------|
| Decision-making date | February 20, 2019 |
| Disposition contract signing date | February 21, 2019 (Scheduled) |
| Payment date | August 30, 2019 (Scheduled) |
| Property transfer date | August 30, 2019 (Scheduled) |

9. Future Outlook

For details of the effect of the assignment of the Property on the operation conditions, please refer to the news release titled as "Notice Concerning Revised Forecasts for Operating Results for February 2019 (34th) Fiscal Period and August 2019 (35th) Fiscal Period" dated today.

10. Appraisal Report Summary

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|-----------------|-----------------------------------|
| Property name | 8953 Osaka Shinsaibashi Building |
| Appraiser | Tanizawa Sōgō Appraisal Co., Ltd. |
| Appraisal value | 14,000 million yen |
| Appraisal date | August 31, 2018 |

| Item | Value | Notes |
|---------------------------------------|--------------------|--|
| Indicated value by income approach | 14,000 million yen | |
| DC method | 14,500 million yen | |
| Operating income | 607 million yen | |
| Effective gross income | 607 million yen | |
| Losses from vacancy, etc. | 0 yen | |
| Operational cost | 80 million yen | |
| Maintenance and management fee | 0 yen | |
| Utility cost | 0 yen | |
| Repair expenses | 12 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 | 0 yen | |
| Property tax | 63 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 | 527 million yen | |
| Operating profit on lump-sum payments | 7 million yen | |
| Capital expenditure | 29 million yen | |
| Net cash flow | 506 million yen | |
| Capitalization rate | 3.5% | |
| DCF method | 13,800 million yen | |
| Discount rate | 3.6% | |
| Terminal capitalization rate | 3.7% | |
| Indicated value by cost approach | 13,600 million yen | |
| Land ratio | 86.3% | |
| Building ratio | 13.7% | |

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|--------------------------------|---|
| Other matters of consideration | Primarily, the characteristics of the commercial facility and property were considered. Moreover, especially in this case, since the contracting tenant proposes continued negotiation on rent reduction, the tenant's sales results were considered to assess the Property's rent on the market in view of other leasing cases for comparison and leasing market trends in recent periods. |
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This English language release is for informational purposes only, and the Japanese language release should be referred to as the original.