

February 20, 2019

Investment Corporation

Japan Retail Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 8953)

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Supplemental Material on a Series of Press Releases

February 20, 2019	Notice Concerning Disposition of Trust Beneficiary Right in 8953 Osaka Shinsaibashi Building
February 20, 2019	Notice Concerning Revised Forecasts for Operating Results for February 2019 (34th) Fiscal Period and August 2019 (35th) Fiscal Period

Assign a “Sub” asset with low profitability at higher price according to medium-term strategy

Medium-term Strategy

- Categorize portfolios into **Core/Secondary Core/Sub** ^(Note 1) to optimize the asset allocation.
- Maintain a portfolio composition focused on core assets which are **locations where people gather** and which have the **ability to attract people**.
- Conduct asset replacement by selling the Sub assets of approximately 100 billion yen to acquire Core assets.

Sub Asset to be Sold

8953 Osaka Shinsaibashi Building

Disposition price (A)	Book value ^(Note 2) (B)	(A)-(B)	Appraisal value ^(Note 3) (C)	(C)-(B)	Appraisal NOI yield ^(Note 3)	Appraisal NOI yield (after depreciation) ^(Note 3)
14,900 million yen	12,038 million yen	2,861 million yen	14,000 million yen	1,961 million yen	3.7%	2.8%



Background

- Since the current contract is an ordinary building leasing contract favorable for tenant, it may be quite challenging to persuade the whole-building leasing tenant Tokyu Hands through the negotiation for renewal to change the contract and abandon its contractual rights for a more stable long-term leasing contract that could be favorable to JRF.
- Decision was made after a comprehensive analysis to sell the asset at a price exceeding both the book value and the appraisal value, regarding it's inferior location in Shinsaibashi District as a commercial location, building's tenant-specified characteristics with low versatility and general tenant needs for a rentable area exceeding 13,000 m².

Future Asset Replacement Activities

- Remaining 15 properties as Sub assets. (Total acquisition prices: 156.5 billion yen; unrealized gains: 12.2 billion yen)
- Some of these Sub assets are under negotiation in view of sale. ^(Note 4)
- Acquisition of several Core assets for replacing the Sub ones is being considered. ^(Note 4)

(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.

(Note 2) Value assumed for the end of the August 2019 (35th) fiscal period.

(Note 3) Appraisal value is based on the appraisal report as of August 31, 2018. Appraisal NOI yield and appraisal NOI yield after depreciation are calculated by appraisal NOI and appraisal NOI deducted actual depreciation amount, divided by the acquisition price, 14,300 million yen.

(Note 4) Neither sale nor acquisition are guaranteed.

Shinsaibashi District comprises five principal commercial areas

1 Mido-suji Avenue

- A very rare and valuable area where flagship stores of luxury brands are located



2 Shinsaibashi-suji Shopping Street

- An area where fast fashion retailers and drug stores are concentrated and which is visited by many foreign tourists



3 Nagahori-dori Street

- West side of the Mido-suji avenue where street-level stores of luxury brands are being operated
- East side of the Shinsaibashi-suji shopping street where few stores are located



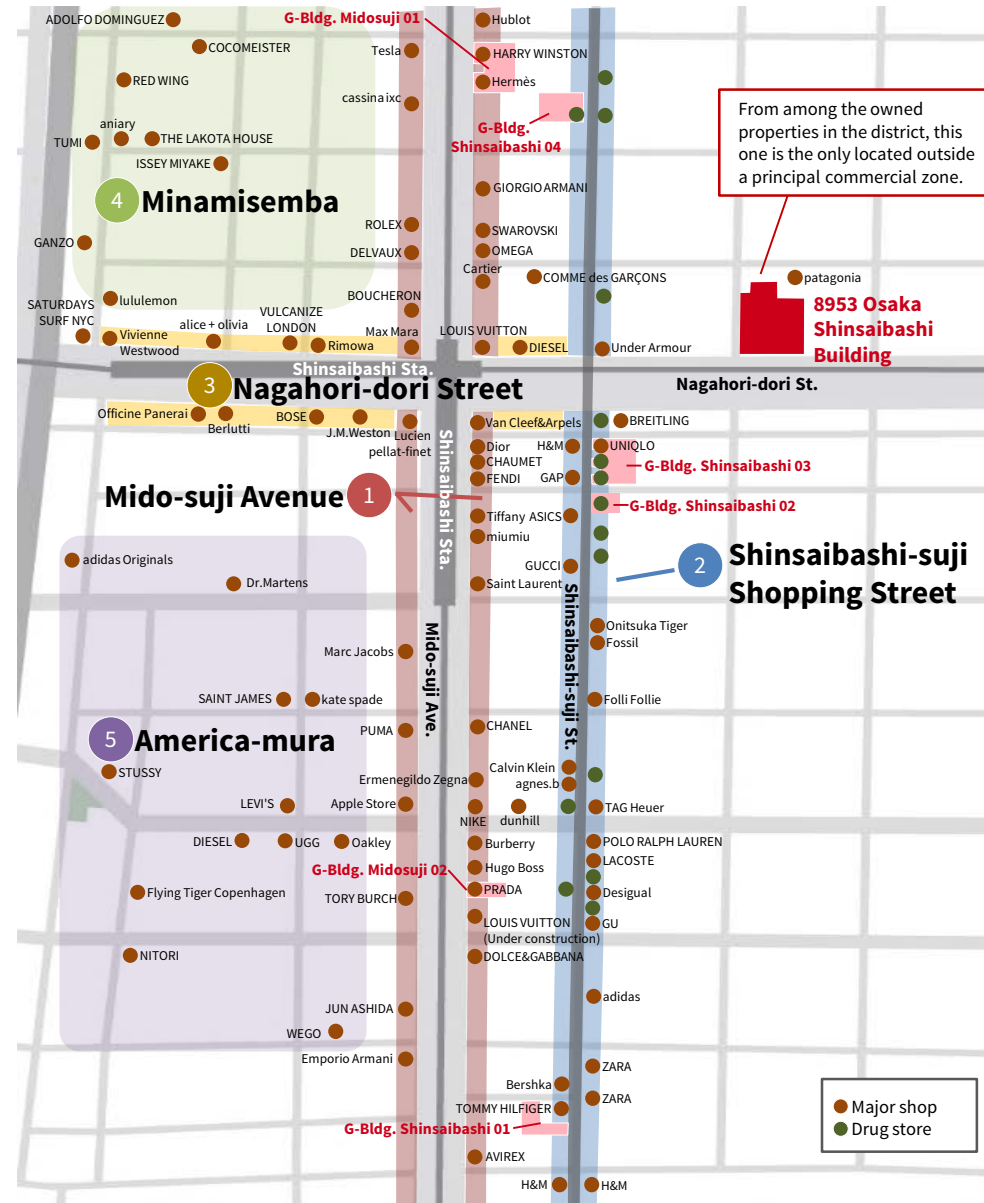
4 Minamitemba

- An area where cafes and designers' brand stores and stores handling leatherware are located



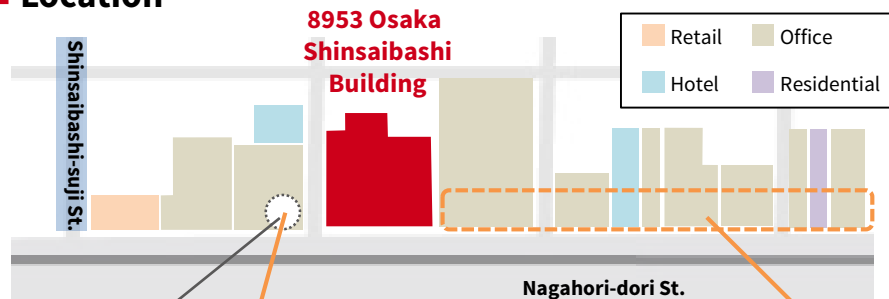
5 America-mura

- An area where fashion stores and music-related stores are concentrated and which is visited by many young people



8953 Osaka Shinsaibashi Building is a commercial building with low tenant substitutability: disadvantage in its commercial location and limited adaptability due to the building's tenant-oriented characteristics

■ Location



- ✓ Hotels and office buildings are located here.
- ✓ Few commercial facilities are located on the east side of 8953 Osaka Shinsaibashi Building and the traffic of pedestrians is not heavy.
- ✓ The local market rent is roughly one sixth of that on the Mido-suji avenue or the Shinsaibashi-suji shopping street, two prime locations.



- ✓ GAP moved its store on the Nagahori-dori street to the Shinsaibashi-suji shopping street on October 2018.
- ✓ The space has been vacant for some time.



■ Building's Characteristics

Building size

- ✓ The total floor area exceeding 13,000 m² is not suited and too large for other whole-building leasing tenants because of the limited commercial advantage of the location in Shinsaibashi District.
- ✓ If the Property becomes a multi-tenant building, its rentable area will be reduced by approximately 40%: re-tenanting it for the current market level of rent will reduce the rent revenue by more than 20%.

Building structure



- ✓ Re-tenanting for multiple tenants or conversion to other types will require a large amount of additional investment and practically one year of downtime.
- ✓ Reconstruction will require large amounts of loss on disposal of fixed assets and demolition costs and impose approximately three years of downtime (one for demolition and two for reconstruction).

Consideration of several options led to the conclusion 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 at the present favorable stage

Option 1**Continued ownership after confirming long-period occupancy of the current tenant**

- ✓ The current tenant is recently adopting the branch store strategy of using small-sized stores (<3,300 m²) specialized in hot-selling items. (The floor area of the Shinsaibashi branch is approximately 6,600 m²).
- ✓ It is not highly probable that the tenant wishes to abandon the tenant-favorable rights of the ordinary building leasing contract.

➡ It may be quite challenging to change the contract for a more stable long-term leasing contract that could be favorable to JRF

Option 2**Continued ownership in view of future tenant replacement, conversion and reconstruction**

- ✓ It is challenging to invite commercial tenants for up to the upper floors because of the poor commercial advantage in Shinsaibashi District. (The Property's best effective use is for mixed-use).
- ✓ Multi-tenanting or conversion will require large amounts of additional investment and long downtime and have the risk of reducing the profitability (appraisal NOI yield after depreciation in consideration of future risks: 2.8%).
- ✓ Reconstruction will require costs for loss on disposal of fixed assets (approximately 2.0 billion yen) and demolition and impose three years of downtime.

➡ Risk of short-term decrease of profits and drop of future profitability

Option 3**Sale based on asset replacement**

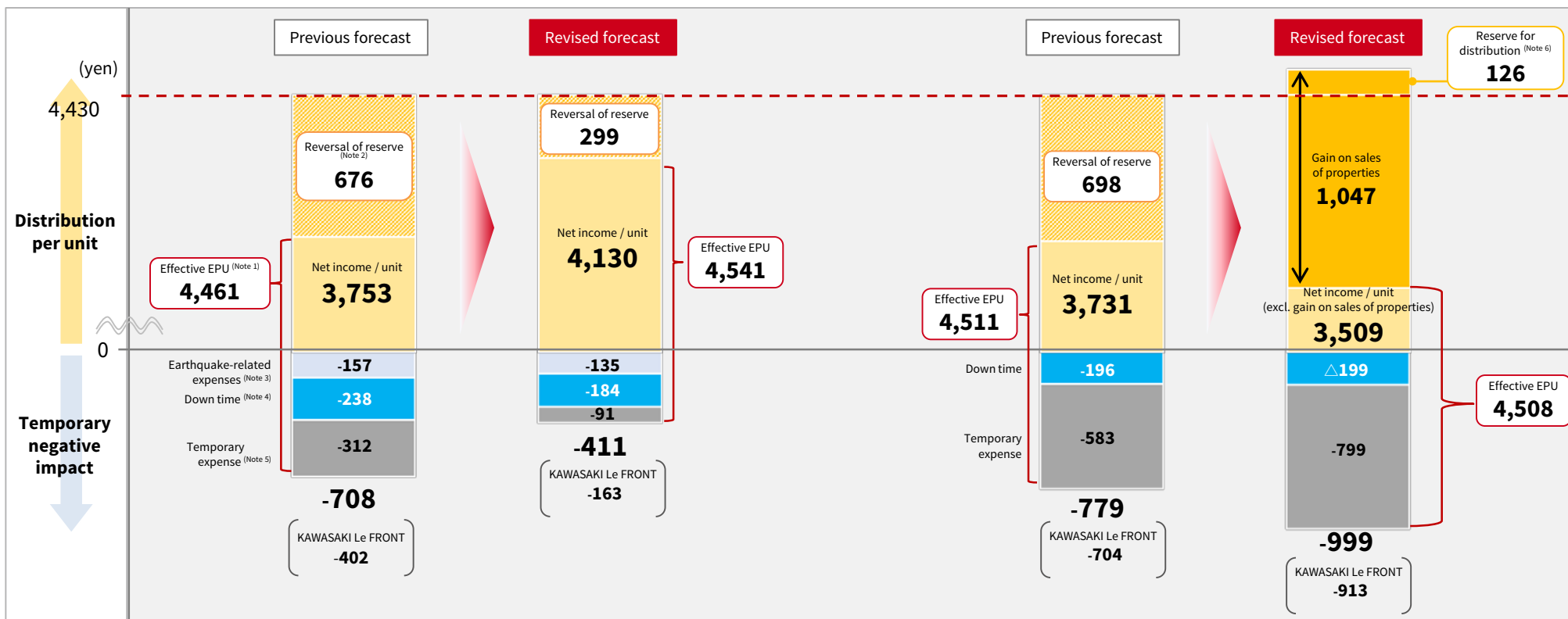
- ✓ It is possible to sell the Property at a price exceeding the book value and the appraisal value, utilizing the current strong real estate market.
- ✓ Setting aside a part of the gain on sale as reserve for dividend may stabilize the distribution level for the future.

➡ Sale is feasible while securing a large amount of gain on sale

Option 3: Sale Based on Asset Replacement Adopted

Summary of Distribution per Unit

5



(Note 1) Figures added or deducted profit/loss on real estate to net income by adjusting the effects of renewal and temporary negative effects due to earthquakes etc.

(Note 2) Includes the amortization of reserve amount of reserve for temporary difference adjustments.

(Note 3) The earthquake-related expenses for both Northern Osaka earthquake and Hokkaido East Iburi earthquake.

(Note 4) Estimated impact of downtime to DPU is calculated based on the Estimated increase in NOI. The estimated increase in NOI is calculated by subtracting the sum of the actual NOI from the forecasted NOI after the renewal projects on an annualized basis or actual after depreciation NOI before the renewal projects.

(Note 5) Total of repair costs due to renewal, loss on disposal of fixed assets, and relocation compensation costs, etc.

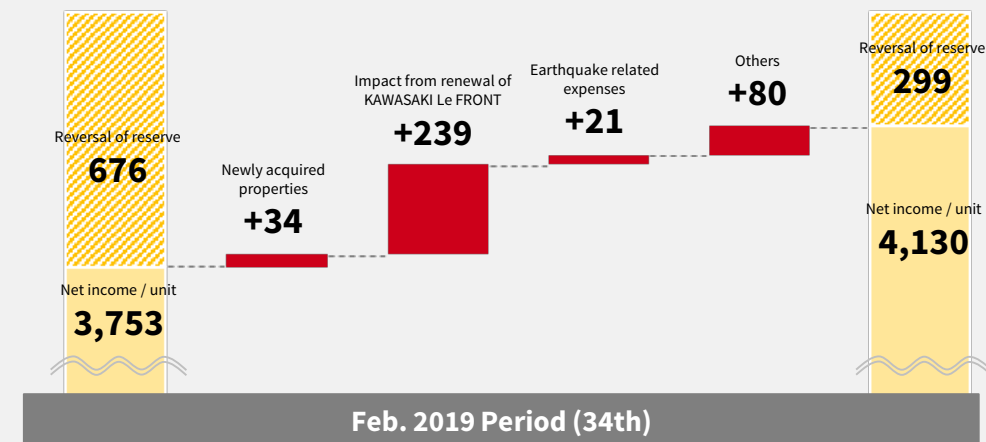
(Note 6) Calculated by deducting the amortization of reserve amount of reserve for temporary difference adjustments from reversal amount of reserve for dividend.

The net income per unit and the balance of reserve have greatly increased after previous forecast

■ Feb. 2019 period (34th)

Changes from the previous forecast to the revised forecast

(yen)



Previous forecast

Revised forecast

Distribution per unit
4,430yen

No change

Distribution per unit
4,430yen

Balance of reserve
3,364million yen

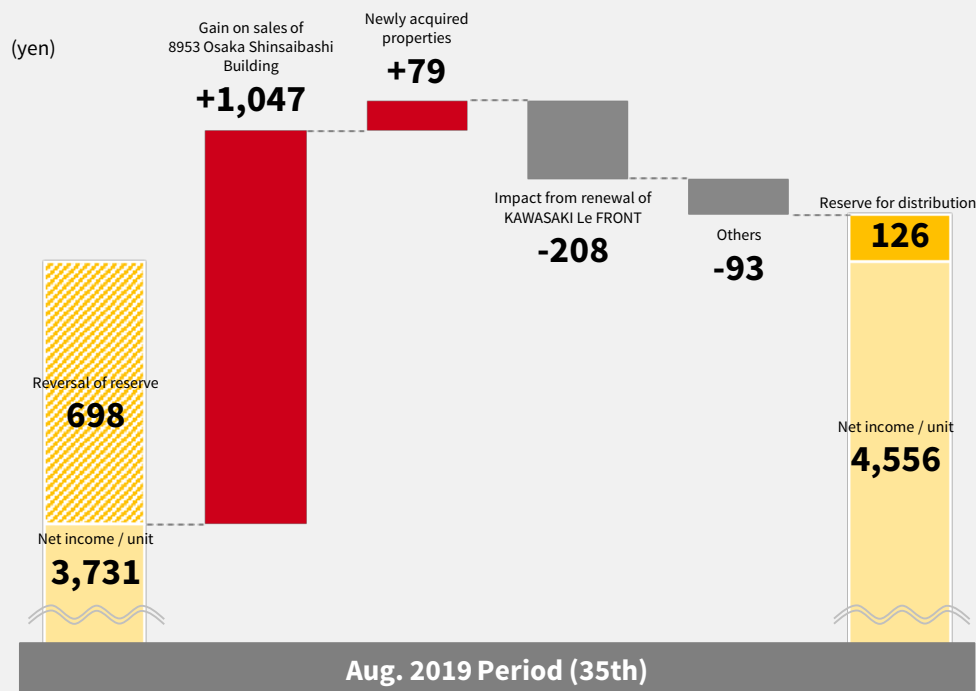
Increased by approx. 1 billion yen

Balance of reserve
4,351million yen

■ Aug. 2019 Period (35th)

Changes from the previous forecast to the revised forecast

(yen)



Previous forecast

Aug. 2019 Period (35th)

Revised forecast

Distribution per unit
4,430yen

No change

Distribution per unit
4,430yen

Balance of reserve
1,535million yen

Increased by approx. 3.1 billion yen

Balance of reserve
4,682million yen

Think bold today for a brighter tomorrow.



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Disclaimer

- This material may contain information such as data on future performance, plans, management targets, and strategies. Such descriptions with regard to the future are based on current hypotheses and assumptions about future events and trends in the business environment, but these hypotheses and assumptions are not necessarily correct. As such, actual results may vary significantly due to various factors.
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Asset Management Company : Mitsubishi Corp.- UBS Realty Inc.

(Financial Instruments Dealer Director of Kanto Financial Bureau (Financial Instruments Dealer) Number 403, Member of The Investment Trusts Association, Japan)