

April 10, 2019

To all concerned parties:

Investment Corporation

Japan Retail Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 8953)

Representative: Shuichi Namba, Executive Director

URL: <https://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 AEON Sendai Nakayama

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 AEON Sendai Nakayama (the "Property") as outlined below.

1. Overview of Disposition

1) Property name	AEON Sendai Nakayama
2) Type of asset	Trust beneficiary right in real estate
3) Disposition price	9,920 million yen
4) Book value ^(Note 1)	8,505 million yen
5) Difference between disposition price and book value ^(Note 1)	1,414 million yen
6) Purchaser	Not disclosed ^(Note 2)
7) Completion date of contract	April 12, 2019 (scheduled)
8) Disposition date	August 9, 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

- 1. Disposition as part of the asset replacement strategy to shift from Sub assets to Core assets, which seeks to increase the Core asset ratio, mainly in the form of "departure from GMS"**
- 2. Disposition of the Property at a level above the book value and appraisal value by leveraging the current favorable real estate market conditions.**

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) 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 been classified as a suburban GMS type property in the "Sub asset" category under the portfolio definition, and was targeted for use as a replacement property. As a result of comprehensive examination into the following information, disposition of the Property at a level above the book value and the appraisal value and use of the funds procured from the disposition for the acquisition of Core asset were determined to contribute most effectively to enhancing value for the unitholders.

(Note) In the portfolio categories, 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 assets category comprises "GMS / roadside and Other retail properties with low-yield" type properties.

Characteristics of the Building

- The Property is located approximately 6 km northwest of central Sendai-shi, with good access by car and possessing a viable trade area for a suburban retail property.
- On the other hand, the Property is comprised of three buildings that have not generated sufficient synergy, lagging behind other competing facilities in the area.
- The highest and best use of the Property would be a single large retail property utilizing the large land area. Notwithstanding, the book value for the buildings as of February 28, 2019, is 1.93 billion yen. If it is reconstructed, large amounts of loss will be realized on loss of disposal of fixed assets and demolition costs, as well as extended downtime.

<Location map of the Property>



Price-related Matter

- The appraisal value of the Property as of the end of February 2019 is 9.62 billion yen, and its estimated book value as of the end of August 2019 is 8.5 billion yen.
- Promoting sales at 9.92 billion yen, surpassing the appraisal value by 300 million yen, will generate gain on sale of approximately 1.1 billion yen.
- The gain on sale of the Property can be used in future asset replacement strategies.

3. Property Summary

Property name (Property Number)		AEON Sendai Nakayama (S-2)				
Type of asset		Trust beneficiary right in real estate				
Trust beneficiary		Sumitomo Mitsui Trust Bank, Limited				
Trust period		April 30, 2027				
Type		Department stores / Retail				
Location (address)		40-35, Minaminakayama 1-chome, Izumi-ku, Sendai-shi, Miyagi, etc.				
Land	Land area	86,424.18 m ²				
	Type of possession	Ownership	Zoning	Commercial district, Category I residential zone, Category I exclusively low-rise residential zone, Category I mid/high-rise oriented residential zone		
Building	Structure / stories	4 stories above ground, Steel / SRC-structure with flat roof, 4 stories above ground, S-structure building with galvanized steel sheet roof / flat roof, etc.				
	Total floor area	Bldg.1: 30,275.69 m ² Bldg.2: 9,427.80 m ² Bldg.3: 3,640.06 m ²				
	Type of possession	Ownership	Completion date	October 23, 1995 April 1, 1997 November 2, 1999		
Appraisal value		9,620 million yen (as of February 28,2019)				
Appraiser		Japan Real Estate Institute				
Tenant Summary (as of end of February 2018)	Number of tenants (main tenants)	2 (AEON)				
	Annual rent	708 million yen				
	Tenant leasehold / security deposit	806 million yen				
	Total leased area	46,248.96 m ²				
	Total leasable area	46,248.96 m ²				
	Occupancy rate (based on leased area)	End of February 2017	End of August 2017	End of February 2018	End of August 2018	End of February 2019
		100.0%	100.0%	100.0%	100.0%	100.0%
Collateral conditions		A revolving mortgage is assigned to the land and building of the Property in order to secure the obligation to refund the tenant leasehold to AEON Retail Co., Ltd.				
Special notes		· We have agreed with the purchaser of the Property under the sales agreement on the assignment of the Property that exterior wall painting and other works will be executed at JRF's expense. · We have agreed with the purchaser of the Property under the sales agreement on the assignment of the Property that the purchaser reserves the right to seek JRF consent to assignation of the purchaser's contractual status as purchaser of the Property to a third party. JRF is not able to refuse to issue the said consent without justifiable reason.				

- 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.
- "Number of tenants" represents the total number of effective lease contracts as of today.
- "Annual rent", "Tenant leasehold / security deposit", "Total leased area" and "Total leasable area" represent the total sums and 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. Although there are no notable capital, personal or business relationships among JRF/the Asset Manager and the purchaser, in the business relationship, the purchaser is a key tenant for JRF, accounting for 20.0% of total leased area in the JRF portfolio (as of February 28, 2019). Furthermore, the purchaser does not classify as related party of JRF/the Asset Manager.

5. Overview of Brokerage

(1) Overview of Broker

1) Name	Mitsubishi UFJ Trust and Banking Corporation
2) Location	4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
3) Title & name of representative	Mikio Ikegaya, President and CEO
4) Line of business	<ol style="list-style-type: none"> 1. Trust business 2. Acceptance of deposits and installment savings, lending of funds, discounting of bills and foreign exchange trading; 3. Guarantee of obligations and acceptance of bills and other business incidental to the banking business in the preceding item; 4. Underwriting of Japanese government bonds, Japanese local government bonds, government-guaranteed bonds, and other securities, handling of offering and secondary offerings, buying and selling and other business; 5. In addition to the businesses in the preceding items, business which banks can operate pursuant to the Banking Act, the Secured Bonds Trust Act, and other laws; and 6. Other matters incidental to or related to the businesses in the preceding items.
5) Capital	324.2 billion yen (As of April 1, 2019)
6) Date established	March 10, 1927
7) Relationship with JRF / the Asset Manager	
Capital relationship Personal relationship Trade relationship	There are no notable capital relationships among JRF/the Asset Manager and the purchaser. In a personal relationship, a managerial employee of the Asset Manager is dispatched of the purchaser company. In a business relationship, the purchaser is a JRF's lender, administrative agent, special account manager and asset custody company and trustee for some of JRF-held assets.
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

Mitsubishi UFJ Trust and Banking Corporation 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 Mitsubishi UFJ Trust and Banking Corporation, 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 20% 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

Decision-making date	April 10, 2019
Disposition contract signing date	April 12, 2019 (Scheduled)
Payment date	August 9, 2019 (Scheduled)
Property transfer date	August 9, 2019 (Scheduled)

9. Future Outlook

The impact of the disposition on our operating results for the August 2019 fiscal period (from March 1, 2019 to August 31, 2019) and February 2020 fiscal period (from September 1, 2019 to February 29, 2020) is under review and will be announced in “Japan Retail Fund Investment Corporation Summary of Financial Results for the Six Months Ended February 28, 2019” which is scheduled to be released on April 15, 2019.

10. Appraisal Report Summary

Property name	AEON Sendai Nakayama
Appraiser	Japan Real Estate Institute
Appraisal value	9,620 million yen
Appraisal date	February 28, 2019

Item	Value	Notes
Indicated value by income approach	9,620 million yen	
DC method	9,580 million yen	
Operating income	745 million yen	
Effective gross income	745 million yen	
Losses from vacancy, etc.	0 yen	
Operational cost	89 million yen	
Maintenance and management fee	0 million yen	
Utility cost	0 yen	
Repair expenses	17 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	68 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	3 million yen	
Net operating income	655 million yen	
Operating profit on lump-sum payments	8 million yen	
Capital expenditure	41 million yen	
Net cash flow	622 million yen	
Capitalization rate	6.5%	
DCF method	9,660 million yen	
Discount rate	6.1%	
Terminal capitalization rate	6.6%	
Indicated value by cost approach	8,660 million yen	
Land ratio	69.4%	
Building ratio	30.6%	

Other matters of consideration	N/A
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