

May 9, 2019

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 Disposition of Trust Beneficiary Right in Narupark

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 Narupark (the “Property”) as outlined below.

1. Overview of Disposition

1) Property name	Narupark
2) Type of asset	Trust beneficiary right in real estate
3) Disposition price	6,115 million yen
4) Book value ^(Note 1)	7,143 million yen
5) Difference between disposition price and book value ^(Note 1)	▲1,028 million yen
6) Purchaser	Not disclosed ^(Note 2)
7) Completion date of contract	May 10, 2019 (scheduled)
8) Disposition date	August 7, 2019 (scheduled)

(Note 1) Book value refers to the estimated figures as of the August 2019.

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

2. Reason for Disposition

Highlights

- Disposition of a roadside type sub asset held by JRF as part of the asset replacement strategy.**
- Disposition of the Property with the lowest NOI yield after depreciation and the greatest unrealized losses in its portfolio at approximately 15.2% above its appraised 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 ecommerce, 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 roadside type property in the "Sub asset" category under the portfolio definition, and was targeted for use as a replacement property. The NOI yield of this property after depreciation is 1.4%, making it the lowest in JRF's portfolio. It also had the greatest unrealized losses in the portfolio, at ▲26%, making the property financially constrained.

JRF concluded that disposition loss could be minimized by taking action now, when the sale and operational status of the Property are stable and real estate market conditions are favorable, and therefore decided to sell the Property. There are plans to leverage the funds procured from the disposition for the acquisition of Core assets going forward. For the loss arising from the disposition of the Property, JRF plans to appropriate portions of the capital gains obtained through the disposition of the 8953 Osaka Shinsaibashi Building announced on February 20, 2019 and disposition of the AEON Sendai Nakayama announced on April 10, 2019, thereby stabilizing dividends.

(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.

Location and Status of the Property

- The Property is located at a corner intersection between prefectural road No. 36 and prefectural road No. 59, approximately ten kilometers from central Nagoya, making it highly accessible by car.
- Sales in the Property have been increasing in both fiscal year 2017 and 2018, and its current occupancy rate is stable, at 100%.

Price-related Matter

- The disposition price is 6.1 billion yen, which is approximately 15.2% above its appraised value.
- As its estimated appraised value at the end of July 2019 is 7.1 billion yen, the loss of approximately 1 billion yen is expected from the disposition. However, JRF aims to stabilize the dividends by partially appropriating gain of approximately 3.8 billion yen from the disposition of the 8953 Osaka Shinsaibashi Building and AEON Sendai Nakayama.

3. Property Summary

Property name (Property Number)		Narupark (S-4)				
Type of asset		Trust beneficiary right in real estate				
Trust beneficiary		Mizuho Trust & Banking Co., Ltd				
Trust period		September 30, 2022				
Type		Department stores / Garage				
Location (address)		232, Urasato 3-chome, Midori-ku, Nagoya-shi, Aichi				
Land	Land area	21,320.60 m ²				
	Type of possession	Ownership	Zoning	Quasi-industrial zone		
Building	Structure / stories	4 stories above ground and 1 basement floor, SRC-structure with flat roof				
	Total floor area	47,442.30 m ²				
	Type of possession	Ownership	Completion date	August 11, 1997		
Appraisal value		5,310million yen (as of February 28,2019)				
Appraiser		Japan Real Estate Institute				
Tenant Summary <small>(Note)</small> (as of end of March 2019)	Number of tenants (main tenants)	48 (Heiwado)				
	Annual rent	483 million yen				
	Tenant leasehold / security deposit	270 million yen				
	Total leased area	15,227.61 m ²				
	Total leasable area	15,227.61 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
		99.2%	99.5%	99.9%	100.0%	100.0%
Collateral conditions		None				
Special notes		None				

- 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.

(Note) The numerical number is noted on the basis of "a pass-through master lease contract" by JRF.

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

None

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 5% 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	May 9, 2019
Disposition contract signing date	May 10, 2019 (Scheduled)
Payment date	August 7, 2019 (Scheduled)
Property transfer date	August 7, 2019 (Scheduled)

9. Future Outlook

Disposition of the Property is expected to result in loss of approximately 1,042 million yen. However, there will be no change to forecast of operation as this has been factored into assumptions for 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) announced on April 15, 2019 in the "Japan Retail Fund Investment Corporation Summary of Financial Results for the Six Months Ended February 28, 2019".

10. Appraisal Report Summary

Property name	Narupark
Appraiser	Japan Real Estate Institute
Appraisal value	5,310 million yen
Appraisal date	February 28, 2019

Item	Value	Notes
Indicated value by income approach	5,310 million yen	
DC method	5,330 million yen	
Operating income	633 million yen	
Effective gross income	651 million yen	
Losses from vacancy, etc.	18 million yen	
Operational cost	330 million yen	
Maintenance and management fee	96 million yen	
Utility cost	120 million yen	
Repair expenses	9 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	4 million yen	
Property tax	64 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	35 million yen	
Net operating income	302 million yen	
Operating profit on lump-sum payments	2 million yen	
Capital expenditure	23 million yen	
Net cash flow	282 million yen	
Capitalization rate	5.3%	
DCF method	5,290 million yen	
Discount rate	5.0%	
Terminal capitalization rate	5.5%	
Indicated value by cost approach	4,520 million yen	
Land ratio	43.6%	
Building ratio	56.4%	

Other matters of consideration	N/A
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