

May 29, 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 Ito-Yokado Nishikicho

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 Ito-Yokado Nishikicho (the “Property”) as outlined below.

1. Overview of Disposition

1) Property name	Ito-Yokado Nishikicho
2) Type of asset	Trust beneficiary right in real estate
3) Disposition price	14,500 million yen ① 2,175 million yen (15% quasi-co-ownership interest) ② 6,525 million yen (45% quasi-co-ownership interest) ③ 5,800 million yen (40% quasi-co-ownership interest)
4) Book value ^(Note 1)	9,932 million yen ① 1,499 million yen (15% quasi-co-ownership interest) ② 4,473 million yen (45% quasi-co-ownership interest) ③ 3,959 million yen (40% quasi-co-ownership interest)
5) Difference between disposition price and book value ^(Note 1)	4,567 million yen ① 675 million yen (15% quasi-co-ownership interest) ② 2,051 million yen (45% quasi-co-ownership interest) ③ 1,840 million yen (40% quasi-co-ownership interest)
6) Purchaser	Mitsubishi Corporation Urban Development, Inc.
7) Completion date of contract	May 29, 2019
8) Disposition date	① May 31, 2019 (Scheduled) ② September 2, 2019 (Scheduled) ③ March 2, 2020 (Scheduled)

(Note 1) Book value refers to figures obtained by multiplying the estimated value as of each date of disposition by the percentage of quasi-co-ownership to be disposed of on such date of disposition.

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. **The disposition will result in substantial gains on sale of more than 4.0 billion yen, which will allow for further stabilization of distribution levels in the future through the increase in the level of distributions and a significant increase in reserves for dividends.**

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.

The Property is located in a densely populated area but not in front of station and has thus been classified as a suburban GMS type property in the “Sub asset” category under the portfolio definitions and was positioned as a replacement property.

We decided to dispose of the Property to Mitsubishi Corporation Urban Development, Inc., an affiliate of JRF's sponsor which submitted the highest bid in the tender process for the Property and agreed to the property disposition in three separate periods, based on a determination that the best ways to contribute to improving unitholder value is to transfer the Property at a price exceeding 4.0 billion yen, allowing a large gain on the sale; make efforts to raise the level of distributions and increase reserves for distributions; and acquire core assets using the funds raised through the disposition.

(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 asset category comprises “GMS / roadside and Other retail properties with low-yield” type properties.

Location of the Property

- The Property is located along Saitama Prefectural Road 236, with good access by car and a trade area comprising Kawaguchi-shi, Warabi-shi and Toda-shi in Saitama Prefecture, and has a large trade area population viable for a suburban retail property.

Status of the Property

- The lease agreements with the current tenants are fixed-term leases but are fluid contracts that allow for interim cancellation by submitting a cancellation notice one year in advance.
- The Property is expected to find new tenants as it is located in a prime location as a suburban retail property. However, the occurrence of extended downtime, as well large amounts of repair and maintenance expenses and loss on disposal of fixed assets, are expected during the process of finding new tenants.

Price-related Matter

- The disposal of the Property at a price of 14.5 billion yen, an amount equal to the researched value, allows for large gains on sale of approximately 4.4 billion yen.
- The disposition will be carried out in three separate periods to level out the gains on sale of property.
- Securing large gains on sale of property will enable the level of distributions to be raised to 4,500 yen per unit and increase the balance of reserves for distributions to approximately 7.0 billion yen and further stabilize the level of distributions in the future.

3. Property Summary

Property name (Property Number)		Ito-Yokado Nishikicho (S-8)				
Type of asset		Trust beneficiary right in real estate				
Trust beneficiary		Sumitomo Mitsui Trust Bank, Limited				
Trust period		November 27, 2023				
Type		Department stores / Parking				
Location (address)		12-1, Nishikicho 1-chome, Warabi-shi, Saitama				
Land	Land area	34,632.74 m ²				
	Type of possession	Ownership		Zoning	Industrial zone	
Building	Structure / stories	4 story, S-structure building with flat roof, etc.				
	Total floor area	73,438.52 m ²				
	Type of possession	Ownership		Completion date	November 6, 2003	
Researched value		14,500million yen (as of February 28,2019)				
Researcher		The Tanizawa Sōgō Appraisal Co., Ltd.				
Tenant Summary (as of end of April 2019)	Number of tenants (main tenants)	1(Ito-Yokado)				
	Annual rent	889 million yen				
	Tenant leasehold / security deposit	590 million yen				
	Total leased area	73,438.52 m ²				
	Total leasable area	73,438.52 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		None				
Special notes		In conjunction with assignment of the quasi-co-ownership interest in the Property, JRF and the assignee plan to execute a quasi-co-ownership agreement (the “Quasi-Co-ownership Agreement”), and until the assignee acquires all of the beneficiary rights to the Property from JRF, instructions and the like relating to the Property shall be issued to the trustee in accordance with the Quasi-Co-ownership Agreement. The Quasi-Co-ownership Agreement will provide that decisions on certain material matters will require the consent of both JRF and the assignee.				

- 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.
- “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

1) Name	Mitsubishi Corporation Urban Development, Inc.
2) Location	7-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo
3) Name and job title of the representative	Hiroki Itokawa, President & CEO
4) Business	Development of income-producing properties
5) Capital	700 million yen
6) Date established	September 2002 (The Company changed its name to Mitsubishi Corporation Urban Development, Inc. in May 2007.)
7) Net assets	Not disclosed as the purchaser has not agreed to the disclosure.
8) Total assets	
9) Major shareholder (shareholding ratio)	Mitsubishi Corporation (100%)
10) Relationship with JRF / the Asset Manager	
Capital relationship	A company in which Mitsubishi Corporation, the parent company of the Asset Manager (by a 51% majority interest), owns 100% stake. The seller falls under the category of related parties in the context of the Act on Investment Trusts and Investment Corporations (Act No. 189 of June 4, 1951) (hereinafter referred to as "ITA").
Personal relationship	Two part-time directors of the Asset Manager also serve as part-time directors of Mitsubishi Corporation Urban development, Inc
Trade relationship	In accordance with a purchase agreement with JRF, Mitsubishi Corporation Urban Development sold G-Bldg. Shibuya 01 at an acquisition price of 3,230 million yen on March 25, 2014; CUTE CUBE HARAJUKU at an acquisition price of 8,520 million yen on October 1, 2014; G-Bldg. Minami Aoyama 01 (Bldg. B) at an acquisition price of 3,650 million yen on October 1, 2015; G-Bldg. Shinsaibashi 03 (Bldg. B) at an acquisition price of 7,800 million yen on March 17, 2017; G-Bldg. Shinsaibashi 03 (Bldg. B land with leasehold interest) at an acquisition price of 400 million yen on December 21, 2017; a 20% quasi-co-ownership interest in trust beneficiary rights to MARINE & WALK YOKOHAMA at an acquisition price of 2,260 million yen on March 24, 2017; and an 80% quasi-co-ownership interest in beneficiary rights to MARINE & WALK YOKOHAMA at an acquisition price of 9,040 million yen on May 1, 2017. Also, JRF entered into a property management agreement with MARINE & WALK YOKOHAMA and outsourced administration and management of the property.
Related parties	The company falls under the category of related parties in the context of the ITA. The company falls under the category of the related parties of the Asset Manager in the context of the Asset Manager's rules and regulations on business transactions with related parties.

(注) This transaction falls under the category of transactions with interested parties, in the context of the Asset Manager's rules and regulations on business transactions with related parties. Therefore, this transaction has been affirmed by the compliance office in accordance with the bylaws of the Asset Manager, and also has been approved by the investment committee and the board of directors of the Asset Manager through discussions/deliberations. Approval of the transaction requires at least six out of eight directors voting in favor of the transaction at the board of directors meeting.

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 broker. In a personal relationship, a managerial employee of the Asset Manager is dispatched of the broker company. In a business relationship, the broker 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

Under the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators", the acquisition of the Property is considered to be a "forward commitment, etc. ^(Note)" by an investment corporation.

In case of any serious breach by JRF or the assignee of the sale agreement relating to assignment of the Property, if the breaching party does not fulfill its duties or cure the breach within the period specified by the other party for performing its duties or curing the breach, the other party shall be authorized to cancel the sale agreement in whole or in part and demand that the breaching party to pay a penalty in the following amount: (1) in case of cancellation of the sale agreement in whole, a penalty equivalent to 30% of the total sale price; (2) in case of cancellation in part of the sale agreement pertaining to (ii) the quasi-co-ownership interest (45%) in the Property and (iii) a quasi-co-ownership interest (40%) in the Property, a penalty equivalent to 30% of the sale price for (ii) and the sale price for (iii), respectively; and (3) in case of cancellation in part of the sale agreement pertaining to (iii) the quasi-co-ownership interest (40%) in the Property, a penalty equivalent to 30% of the sale price for (iii).

(Note) Forward commitment, etc. 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 29, 2019
Disposition contract signing date	May 29, 2019
Payment date	May 31, 2019 (Scheduled) September 2, 2019 (Scheduled) March 2, 2020 (Scheduled)
Property transfer date	May 31, 2019 (Scheduled) September 2, 2019 (Scheduled) March 2, 2020 (Scheduled)

9. Future Outlook

For details of the effects of acquisition of the Property on operating results, please refer to the news release entitled “Notice Concerning Revised Forecasts for Operating Results for August 2019 (35th) Fiscal Period and February 2020 (36th) Fiscal Period and Revised Forecasts for Distributions for February 2020 (36th) Fiscal Period” dated today.

10. Research Report Summary

Property name	Ito-Yokado Nishikicho
Researcher	The Tanizawa Sōgō Appraisal Co., Ltd.
Research value	14,500 million yen
Value date	February 28, 2019

Item	Value	Notes
Indicated value by income approach	14,500 million yen	
DC method	14,700 million yen	
Operating income	889 million yen	
Effective gross income	889 million yen	
Losses from vacancy, etc.	0 yen	
Operational cost	124 million yen	
Maintenance and management fee	0 yen	
Utility cost	0 yen	
Repair expenses	15 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	104 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	765 million yen	
Operating profit on lump-sum payments	5 million yen	
Capital expenditure	35 million yen	
Net cash flow	735 million yen	
Capitalization rate	5.0%	
DCF method	14,400 million yen	
Discount rate	(1st to 5th years) 5.0% (after 6th year) 5.2%	
Terminal capitalization rate	5.2%	

Other matters of consideration	The capitalization rate is calculated by factoring in the fact that the target property is a large-scale facility that attracts customers, has a floor area exceeding 10,000 m ² , is located in an industrial area, and is non-conforming to the standard.
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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.