

January 16, 2020

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 Acquisition of Trust Beneficiary Right
in Real Estate in Japan (Machinoma Omori)**

Japan Retail Fund Investment Corporation (“JRF”) announced today that Mitsubishi Corp. – UBS Realty Inc., JRF’s asset manager (the “Asset Manager”), determined to acquire trust beneficiary right in real estate of Machinoma Omori (the “Property”) as outlined below.

1. Overview of Acquisition

1) Property type	Trust beneficiary right in the real estate ^(Note)
2) Property name	Machinoma Omori
3) Location	1-38 Omorinishi 3-chome, Ota-ku, Tokyo
4) Acquisition price (Scheduled)	9,100 million yen
5) Appraisal value	9,360 million yen (as of November 1, 2019)
6) Contract completion date	January 20, 2020 (Scheduled)
7) Acquisition date	March 2, 2020 (Scheduled)
8) Seller	Mitsubishi Corporation Urban Development, Inc.
9) Acquisition funds	Cash on hand or Debt (Scheduled)
10) Payment	Full payment at closing

(Note) We intend to acquire the trust beneficiary right upon the creation of trust on the anticipated acquisition date.

2. Reasons for Acquisition

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.

Acquisition of the Property is the acquisition of an asset located in a high-density residential area within Tokyo’s 23 central wards and classified as a Residential Station property in accordance with JRF’s asset replacement strategy.

For acquisition of the Property, JRF evaluated the following:

(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.

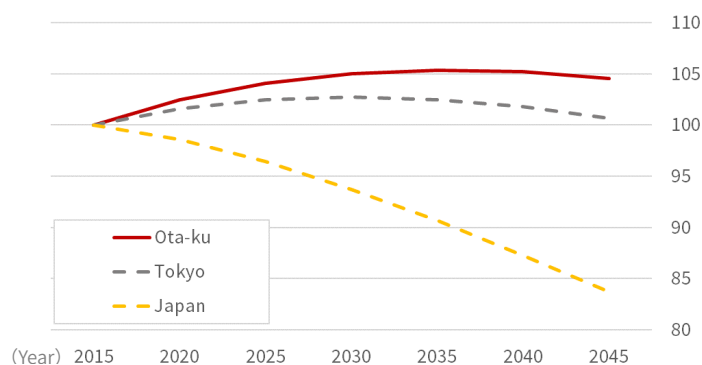
Highlight of acquisition

A multi-function facility focused on daily needs developed by Mitsubishi Corporation Urban Development, Inc., an affiliate of JRF's sponsor company, located near Omorimachi Station on the Keikyu Main Line

Attractiveness of market

- The thriving retail trade area has a population of approximately 80,000 within a one kilometer radius and 500,000 within a three kilometer radius
- The population of Ota-ku is expected to grow in the future, providing an abundant commercial population over the long term

< Population outlook for Ota-ku, Tokyo, and Japan ^(Note) >



(Source) The data in 2015 is from "Census", the data after 2020 is from the projections calculated based on Census by National Institute of Population and Social Security Research.

(Note) The populations of Ota-ku, Tokyo and Japan in 2015 are set to 100.

Attractiveness of location

- The Property is located near Omorimachi Station, which is within 15 minutes of Shinagawa Station, one of Tokyo's main business areas
- The site is surrounded by residences and offers high accessibility including a 9-minute walk from Omorimachi Station on the Keikyu Main Line and a 10-minute bus ride from the JR Omori Station

Attractiveness of facility

- A commercial facility that focuses on daily needs with a supermarket as the anchor tenant and 40 other tenants including restaurants, services, and shops
- A relatively new commercial facility only about one year old (completed in September 2018)
- A commercial facility with enhanced regional community functions including Machinoma-Noma, a communications space with kitchen facilities

■ Property photo / Property Location Map

Property photo



Property photo



Map

Wide-area map



Enlarged map



3. Property Summary

B. Property Summary					
Property name (Property Number)		Machinoma Omori (U-61)			
Type of asset		Trust beneficiary right in real estate			
Trustee		Sumitomo Mitsui Trust Bank, Limited			
Trust period		March 2, 2020 – March 31, 2030 (Scheduled)			
Location		1-38 Omorinishi 3-chome, Ota-ku, Tokyo			
Land	Land area	8,417.31 m ² (Note1)	Zoning	Quasi-industrial district	
	FAR / building-to-land ratio	200%・300%／60%	Type of possession	Ownership	
Building	Structure / stories		5 stories above ground, steel frame with flat roof		
	Total floor area		Type	Retail・Parking	
	Completion date		Type of possession	Ownership	
	Design		Kiuchi Construction Co., Ltd.		
	Construction		Kiuchi Construction Co., Ltd.		
	Constructional Inspector		Japan Constructive Inspect Association		
	PML		5.0% (Based on the earthquake risk assessment (details) report dated December 2019 jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation)		
Acquisition price		9,100 million yen			
Appraisal value		9,360 million yen (as of November 1, 2019)			
Appraiser		CBRE K.K.			
Tenant summary	Number of tenants (main tenants)		40 (Life)		
	Annual rent		557 million yen		
	Tenant leasehold / security deposit		368 million yen		
	Total leased area		8,981.18 m ²	Occupancy rate (based on leased area)	100%
	Total leasable area		8,981.18 m ²		
	Main tenants	Period of contract	Not disclosed ^(Note2)		
		Type of contract	Not disclosed ^(Note2)		
		Revision of rent	Not disclosed ^(Note2)		
		Early termination	Not disclosed ^(Note2)		
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 lease contracts as of the end of November 2019.
 - “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 the end of November 2019.
 - Rental business income (annual) is calculated by taking the total amount of monthly rents and common area fees indicated in the lease agreements and other documents in effect as of the end of November 2019 for properties to be acquired and multiplying this amount by 12, rounded down to the nearest million yen. Amounts expressly stated in lease agreements as rents for warehouses and land (flat parking lots) are excluded. Revenue-based rent is calculated based primarily on sales as of the end of October 2019.
- (Note1) Part of the property land (190.89 m²) is leased to the Tokyo metropolitan government based on a land lease agreement.
- (Note2) Not disclosed as the tenant has not agreed to the disclosure.

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	An agreement on transfer of Ito-Yokado Nishikicho for 14,500 million yen (disposition price) was executed on May 29, 2019 (transfer of 60% of quasi co-ownership of the trust beneficiary right has been completed). 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.

(Note) 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. Ownership History of the Building to Be Acquired

Owner history	Current owner	Previous owner
Name	Mitsubishi Corporation Urban Development, Inc.	Other than those that have special interest in JRF/the asset management company
Relationship with interested parties of JRF/the Asset Manager	A company in which Mitsubishi Corporation, the parent company of the Asset Manager (by a 51% majority interest), owns 100% stake.	—
Background/ reasons for acquisition price	For development purposes	—
Acquisition price	Not disclosed as the current owner will have owned the building more than 1 year as of anticipated acquisition date	—
Acquisition date	September 30, 2018	—

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.

If JRF cannot meet its forward commitment, 20% of the expected purchase price shall be paid as a penalty for breach of contract.

(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 closing

8. Planned Acquisition Schedule

Decision-making date	January 16, 2020
Purchase agreement signing date	January 20, 2020 (Scheduled)
Payment date	March 2, 2020 (Scheduled)
Acquisition date	March 2, 2020 (Scheduled)

9. Future Outlook

There will be minimal impact on our operating results for the February 2020 fiscal period (from September 1, 2019 to February 29, 2020) and August 2020 fiscal period (from March 1, 2020 to August 31, 2020); thus, we have made no revision to our forecasts.

10. Appraisal Report Summary

Property name	Machinoma Omori
Appraiser	CBRE K.K.
Appraisal value	9,360 million yen
Appraisal date	November 1, 2019

Item	Value	Notes
Indicated value by income approach	9,360 million yen	
DC method	9,420 million yen	
Operating income	712 million yen	
Effective gross income	727 million yen	
Losses from vacancy, etc.	14 million yen	
Operational cost	327 million yen	
Maintenance and management fee	111 million yen	
Utility cost	111 million yen	
Repair expenses	1 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	3 million yen	
Property tax	55 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	43 million yen	
Net operating income	385 million yen	
Operating profit on lump-sum payments	3 million yen	
Capital expenditure	11 million yen	
Net cash flow	376 million yen	
Capitalization rate	4.0 %	
DCF method	9,360 million yen	
Discount rate	3.8 %	
Terminal capitalization rate	4.1 %	
Indicated value by cost approach	9,600 million yen	
Land ratio	76.2 %	
Building ratio	23.8 %	

Other matters of consideration	N/A
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[Reference]

Prospective Income and Expenditures for the property

Prospective Income and Expenditures	
NOI (Net Operating Income)	416 million yen
NOI yield	4.6 %
Depreciation	93 million yen
NOI yield after depreciation	3.6 %

- The current NOI is based on the annual income according to the lease contract as of the end of November 2019.
- Appraisal NOI refers to NOI used in the Direct Capitalization Method on the appraisal report.
- NOI yield is calculated by dividing NOI by the acquisition price and rounded to the nearest second decimal place.
- NOI yield after depreciation is calculated by dividing NOI after deducting depreciation by the acquisition price and rounded to the nearest second decimal place.