Japan Retail Fund Investment Corporation

Japan Retail Fund Investment Corporation (Tokyo Stock Exchange Company Code: 8953)
News Release –July 31, 2015

Execution of Lease Contract with Existing Tenant and Implementation of Renewal Construction Including Seismic Strengthening Works of Bic Camera Tachikawa

Mitsubishi Corp. – UBS Realty Inc. (the "Asset Manager"), the asset management company of Japan Retail Fund Investment Corporation ("JRF"), for the purpose of strengthening competitiveness of its portfolio asset and enhancing its profitability as a part of its internal growth strategy, has decided to newly execute a twenty year fixed-term lease contract (the "New Contract") with the existing tenant of Bic Camera Tachikawa (the "Property") which is located in Tachikawa, Tokyo, and has also decided to implement renewal construction that includes seismic strengthening works of main building of the Property (the "Construction") (execution of the New Contract and implementation of the Construction are collectively hereinafter referred to as the "Project").

1. The Project Schedule and Impact

(1) Schedule (planned)

Execution of fixed-term lease contract	July 31, 2015
Execution of construction contract (Order of renewal construction including seismic strengthening works)	July 31, 2015
Renewal construction period	August 2015 - November 2016 (planned)
Reopening	December 2016 (planned)

(2) Impact of the Project

Estimated Total Expenditure	Expected Increase in NOI	Expected Increase in NOI/Estimated Total Expenditure
2,918 million yen	**443** million yen	**15.3**%

(Note 1) Tachikawa City is expected to grant subsidy of approximately 300 million yen for the seismic strengthening works. "Estimated Total Expenditure" is the sum of construction cost, design cost, facility replacement cost and accompanying cost as well as furniture and fixtures transfer cost and removal cost, minus the subsidy.

(Note 2) "Expected Increase in NOI" is the difference between the sum of actual NOIs for the fiscal period ended August 2014 (the 25th period) and the fiscal period ended February 2015 (the 26th period), and the stabilized expected yearly NOI after the completion of the Construction.

2. The Project Highlights

As the building of the Property was constructed in 1970, the structure of the building is based on the old quake-resistance standard.

JRF, after its acquisition of the Property in September 2004, had taken a secondary evaluation of seismic capacity of the Property, and according to the seismic capacity evaluation report, implementation of the seismic strengthening works was recommended.

In response to this, JRF, together with the existing tenant, considered various options including implementation of seismic strengthening works, reconstruction of the building and sale of the Property to a third party. After thorough consideration of these options, the existing tenant and JRF reached an agreement to change the existing standard lease contract to a five-year fixed-term lease contract in 2010.

Since the current fixed-term lease contract will soon be expired, JRF considered future management of the Property from various angles and also revisited the options mentioned above, and as a result, JRF concluded that the execution of the New Contract with the existing tenant and implementation of the seismic strengthening works would contribute to the profitability and stability of the portfolio the most. The following are crucial highlights of the Project that led to this decision.

The Project Highlights	**1) Execution of fixed-term lease contract with rent increase** **2) Store operations continue during construction to secure rent income** **3) Strengthen competitiveness of the Property through enhanced seismic resistance and building performance**

1) Execution of fixed-term lease contract with rent increase

As the fixed-term lease contract with the existing tenant, BIC CAMERA INC. ("Bic Camera"), is going to expire in December 2015, JRF negotiated with a number of potential tenants by utilizing a wide variety of tenant relations of the Asset Manager. JRF, after comprehensive consideration of economic conditions and the impact on JRF's profit during the renewal construction, determined that continuing to lease the Property to Bic Camera would contribute to the profitability and stability of the portfolio the most.

Bic Camera and JRF, through Mitsubishi UFJ Trust and Banking Corporation, the custodian of the Property, agreed to terminate the current lease contract on the premise that JRF signs the construction contract for the Construction, and executed the New Contract for the period of twenty years on July 31, 2015. Under the New Contract, rent increases after the completion in consideration of the factors such as the market rent in the surrounding area and JRF's cost burden for the construction.

2) Store operations continue during construction to secure rent income

The Construction will be done in stages by Kajima Corporation, a leading general contractor with a solid track record in seismic strengthening works. The staged construction allows the tenant to continue store operations without temporarily shutting down the entire store. JRF agreed with the tenant to reduce rent (Note) since the tenant will not be able to use part of the floors during the Construction; nevertheless, JRF continues to receive rent income and thus can minimize the impact on its dividend distributions.

(Note) During about 16 months of the construction period, the tenant will not be able to operate business on the floors under construction; therefore, JRF has agreed with the tenant to reduce rent by approximately 8% of the current total rent.

3) Strengthen competitiveness of Property through enhanced seismic resistance and building performance

The Asset Manager has an in-house engineering team, which has worked on the planning and verification of the Construction.

For the seismic strengthening works (seismic strengthening work plan) of the Construction, JRF has obtained an assessment certification from HOUSEPLUS ARCHITECTURAL INSPECTION Inc. based on the design by Kajima Corporation. Also, repair of the exterior walls necessary to maintain the building, replacement of facilities and equipment, and refurbishment of facade of the front surface of the building will be done concurrently with the seismic strengthening works to strengthen competitiveness of the Property. The Project is environmentally friendly since construction waste material can be minimized by implementing seismic strengthening works and continuing to use the existing building instead of reconstructing the building. Furthermore, upgrade of the existing electric substation equipment and other facilities to the ones with high efficiency will lead to reduction of CO2 emissions and energy consumption.

For the Construction, JRF applied for subsidy from Tachikawa City for promoting seismic strengthening works and received a notification of grant of subsidy dated July 28, 2015 from Tachikawa City. Therefore, JRF expects to receive the subsidy of about 300 million yen that is about 10% of the estimated total expenditure of the Construction from Tachikawa City after the completion of the Construction.

3. Future outlook

The Project has only marginal impact on our performance forecasts for the fiscal period ending August 2015 (the 27th period) and for the fiscal period ending February 2016 (the 28th period); therefore, our forecasts will remain unchanged.

About JRF: JRF is the third listed Japanese Real Estate Investment Trust ("J-REIT") and the first J-REIT to focus exclusively on retail properties. As of the date of this release, JRF owns 90 properties containing approximately 3.2 million square meters of leasable space.
Please refer to our website at **http://www.jrf-reit.com/english/index.html** for further details.
Contacts: For further information relating to this press release as well as JRF and Mitsubishi Corp.-UBS Realty Inc., its Asset Manager, please feel free to contact:
Mr. Fuminori Imanishi (Telephone Number: 81-3-5293-7080), Head of Retail Division at Mitsubishi Corp.-UBS Realty Inc.,
Investor Relations: Telephone Number: 81-3-5293-7081
E-mail: jrf-8953.ir@mc-ubs.com

This translation is for informational purposes only, and the Japanese language release should be referred to as the original.

<Reference>

1) Overview of Property including Annex

Location (address)		12-2, Akebonocho 2-chome, Tachikawa-shi, Tokyo, etc.
Acquisition date		September 29, 2004
Acquisition price		11,920 million yen
	Land price	9,701 million yen
	Building price	2,218 million yen
Land		
	Area	2,858.13 m^2 (Main Building: 2,194.51 m^2, Annex: 663.62 m^2)
	Zoning	Commercial district
	Type of possession	Ownership
Building		
	Structure/stories	Main Building: 8 stories above ground and 2 underground stories, reinforced concrete structure with deck roof Annex: 3 stories above ground and 2 underground stories, reinforced concrete structure with deck roof
	Completion date	August 14, 1970
	Total floor area	20,983.43 m^2 (Main Building: 19,354.92 m^2, Annex: 1,628.51 m^2)
	FAR/building-to-land ratio	Main Building: approximately 600%/80%, Annex: approximately 600%/80%
	PML	15.5% (before the Project) (Based on the earthquake risk analysis report jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation.)
Tenant summary		
	Number of tenant(s)	2 (Bic Camera)
	Total leased area	20,983.43 m^2
	Total leasable area	20,983.43 m^2
	Occupancy rate (based on leased area)	100.0%
Collateral conditions		N/A
Special notes		With regard to the designated floor area ratio ("FAR") of the main building and annex, the FAR regulation at the time of new construction is different from the one as of February 28, 2015. The current FAR is legal as long as the existing building remains; however, if addition to the building or reconstruction of the building will be done, the FAR needs to be in compliance with the current regulation.

・Amounts 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.
・"Acquisition date" is the initial acquisition date of the property.
・"Land area" is 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.
・For the main building "Completion date" is based on the completion date in registry books, and for Annex it is based on the date of verification of construction completion in notice of verification of building construction.

2) Impact of the Project

		Before the Project	After the Project
Contract with main tenant			
	Annual rent	Not disclosed as the tenant has not agreed to the disclosure of information.	Not disclosed as the tenant has not agreed to the disclosure of information.
	Tenant leasehold/security deposit	Not disclosed as the tenant has not agreed to the disclosure of information.	Not disclosed as the tenant has not agreed to the disclosure of information.
	Period of contract	December 28, 2010 – December 27, 2015 (5 year period)(Note 1)	July 31, 2015 – July 31, 2035 (20-year period)
	Type of contract	Fixed-term lease contract	Fixed-term lease contract

	Revision of rent	N/A	N/A
	Early termination	N/A	N/A (however, early termination is possible with one year advance notice after ten years of lease if the tenant pays the amount equivalent to the remaining rent or the tenant finds a replacement tenant who is acceptable to the lessor.)
Expected yearly NOI		624 million yen(Note 2)	(After completion of the Construction) 1,067million yen(Note3)

(Note 1) The current contract will be terminated on July 31, 2015 when the New Contract will be entered into, which has been agreed upon between the tenant and JRF.

(Note 2) The amount is the sum of actual NOIs for the fiscal period ended August 2014 (the 25th period) and the fiscal period ended February2015 (the 26th period).

(Note 3) The amount is the stabilized yearly NOI that is based on new rent after completion of the Construction stipulated in the New Contract.

3) Property Photo/ Image after Completion of the Construction / Map

【Present】



【Image after Completion of the Construction】



【Image of Shop Entrance after Completion of the Construction】



【Map】

