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MC-UBS GROUP

Japan Retail Fund Investment Corporation

December 16, 2020

To all concerned parties:

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Notice Concerning Disposition of Trust Beneficiary Right in AEON MALL Yamato

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 MALL Yamato (the "Property") as outlined below.

1. Overview of Disposition

1)	Property name	AEON MALL Yamato
2)	Type of asset	Trust beneficiary right in real estate
3)	Disposition price	17,200 million yen ① 8,600 million yen (50% quasi-co-ownership interest) (the quasi-co-ownership interest ①) ② 8,600 million yen (50% quasi-co-ownership interest) (the quasi-co-ownership interest ②)
4)	Book value (Note 1)	14,769 million yen ① 7,388 million yen (50% quasi-co-ownership interest) (the quasi-co-ownership interest ①) ② 7,381 million yen (50% quasi-co-ownership interest) (the quasi-co-ownership interest ②)
5)	Difference between disposition price and book value (Note 1)	2,430 million yen ① 1,211 million yen (50% quasi-co-ownership interest) (the quasi-co-ownership interest ①) ② 1,218 million yen (50% quasi-co-ownership interest) (the quasi-co-ownership interest ②)
6)	Purchaser	Not disclosed (Note 2)
7)	Completion date of contract	December 17, 2020 (scheduled)
8)	Disposition date	① December 21, 2020 (scheduled) ② March 30, 2021 (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.

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

2. Reason for Disposition

Highlights

1. **Disposition as part of the post-merger new investment corporation's asset replacement strategy for urbanizing and optimizing the use composition of its portfolio**
2. **Capital gains generated by disposition at a price higher than both the book and appraisal values**

JRF plans to merge with MCUBS MidCity Investment Corporation, effective March 1, 2021. After the merger, we will commence new management operations as Japan Metropolitan Fund Investment Corporation ("JMF"), one of largest diversified REITs in Japan and an investor in properties that serve as the foundations for urban lives.

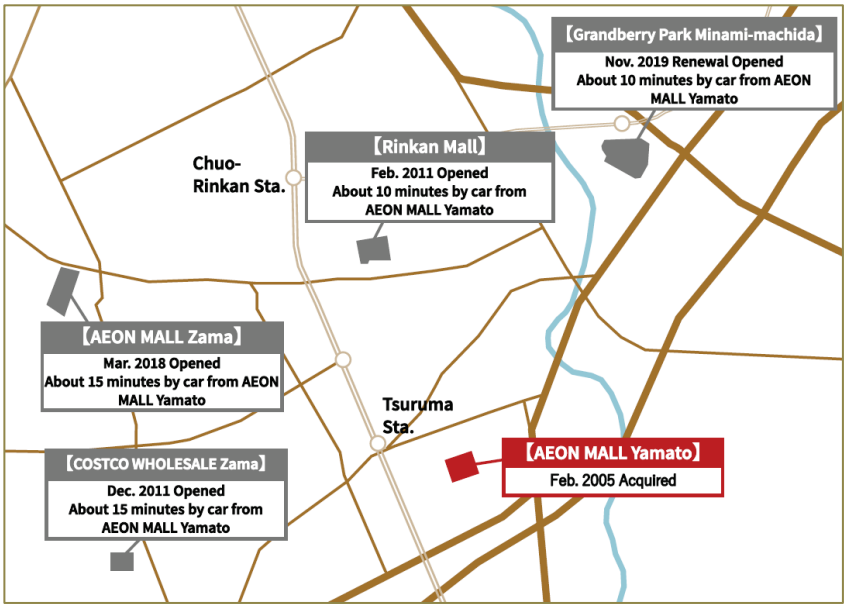
As a short- to medium-term growth strategy, JMF pledges to urbanize and optimize the use composition of its portfolio. Accordingly, it will carry out an asset replacement strategy of disposing of suburban retail properties and low-return urban retail properties while acquiring mainly office, mixed-use and residential properties, as well as urban retail properties. The disposition of the Property is part of the asset replacement strategy.

The Property is an asset classified as suburban retail property, which is within the scope of disposition under JMF's asset replacement strategy. JRF has decided to dispose of the Property based on a determination that, given the intensifying competition among retail properties driven by the opening of multiple large-scale shopping malls near the Property in recent years, the best way to increase unitholder value is to dispose of the Property at a price higher than both its book and appraisal values and use the gains from the disposition to stabilize the level of dividends while allocating the funds from the disposition to acquire assets within the scope of acquisition under the asset replacement strategy. The following factors have been taken into account in reaching this determination.

Location and Status of the Property

- Competition among retail properties has intensified with large-scale shopping malls opening one after another within a 15-minute drive from the Property.
- The population of Yamato City, where the Property is located, is expected to decline after peaking in 2020.

〈New Store Openings Near the Property after Acquisition〉



Price-related Matter

- The disposition at a price of 17.2 billion yen will generate approximately 2.2 billion yen in capital gains.
- The disposition will be carried out in two separate fiscal periods to level out gains from the disposition.
- Amid uncertainties over the impact of the COVID-19 pandemic, the gains from the disposition will help stabilize dividend levels.

Property Summary

Property name (Property Number)		AEON MALL Yamato (S-13)				
Type of asset		Trust beneficiary right in real estate				
Trust beneficiary		Sumitomo Mitsui Trust Bank, Limited				
Trust period		February 16, 2025				
Type		Retail・Office・Parking				
Location (address)		1-2-6, Shimotsuruma Yamato City, Kanagawa				
Land	Land area	35,821.79 ㎡				
	Type of possession	Ownership	Zoning	Quasi-industrial district		
Building	Structure / stories	5 stories above ground and 1 basement floor, steel structure building with SRC-structure flat roof				
	Total floor area	85,226.68 ㎡				
	Type of possession	Ownership	Completion date	November 27, 2001		
Appraisal value		17,100 million yen (as of August 31,2020)				
Appraiser		Japan Real Estate Institute				
Tenant Summary (as of end of November 2020)	Number of tenants (main tenants)	1 (AEON)				
	Annual rent	1,068 million yen				
	Tenant leasehold / security deposit	1,068 million yen				
	Total leased area	85,226.68 ㎡				
	Total leasable area	85,226.68 ㎡				
	Occupancy rate (based on leased area)	End of August 2018	End of February 2019	End of August 2019	End of February 2020	End of August 2020
		100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Collateral conditions		None				
Special notes		・In connection with the transfer of the quasi-co-ownership interest ① in the Property, JRF, the Purchaser and the Trust beneficiary are scheduled to enter into an agreement between the beneficiaries (the "Agreement"), and until the Purchaser acquires all of the beneficial interests in the property, instructions to the Trust beneficiary concerning the property will be given in accordance with the provisions of the Agreement. The Agreement provides that instructions to the Trustee shall be given by the asset management company of JRF. However, with respect to decisions on certain important matters, the Agreement provides that JRF and the Purchaser shall hold discussions for a certain period with a view to reaching an agreement, and if they fail to reach an agreement through such discussions, JRF's intention shall prevail with respect to matters that are reasonably expected to become effective or valid by the date of transfer of the quasi-co-ownership interest				

	②(excluding the said date), and the Purchaser's intention shall prevail with respect to matters that are reasonably expected to become effective or valid on or after the date of transfer of the quasi-co-ownership interest ② (including the said date).

・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.

3. 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.

4. 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 the event of any material breach of the sales contract or the Quasi-Co-ownership Agreement by JRF or the assignee relating to assignment of the Property, if the breaching party does not perform its duties or cure the breach within the period specified by the other party to perform its duties or cure the breach, the other party shall be authorized, provided that the sale of quasi-co-ownership interest ② has yet to be executed, to cancel sales contract in whole or in part (limited to the portion relating to quasi-co-ownership interest ② after disposition of quasi-co-ownership interest ①). In addition, JRF or the assignee shall be liable to pay compensation for any damage relating to such breach of the agreement incurred by the other party; provided, however, that damages shall be capped at an amount corresponding to 10% of the total 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."

5. Means of Payment

Full payment at the time of transfer

6. Disposition Schedule

Decision-making date	December 16, 2020
Disposition contract signing date	December 17, 2020 (Scheduled)
Payment date	① December 21, 2020 (Scheduled) (the quasi-co-ownership interest ①) ② March 30, 2021 (Scheduled) (the quasi-co-ownership interest ②)
Property transfer date	① December 21, 2020 (Scheduled) (the quasi-co-ownership interest ①) ② March 30, 2021 (Scheduled) (the quasi-co-ownership interest ②)

7. Future Outlook

The disposition gains of the Property will be used to reduce the reversal of reserves in February 2021 fiscal period (from September 1, 2020 to February 28, 2021) and mainly to increase the provision of reserves from gain on negative goodwill in August 2021 fiscal period (from March 1, 2021 to August 31, 2021), the first fiscal period of JMF after the merger. Accordingly, the operating results forecast remains unchanged.

The disposition of the Property falls under the Permitted Purchase and Sale of Real Properties as specified in the "Notice Concerning Execution of the Merger Agreement by and between Japan Retail Fund Investment Corporation and MCUBS MidCity Investment Corporation" released by JRF on August 28, 2020.

8. Appraisal Report Summary

Property name	AEON MALL Yamato
Appraiser	Japan Real Estate Institute
Appraisal value	17,100 million yen
Appraisal date	August 31, 2020

Item	Value	Notes
Indicated value by income approach	17,100 million yen	
DC method	17,200 million yen	
Operating income	1,068 million yen	
Effective gross income	1,068 million yen	
Losses from vacancy, etc.	0 yen	
Operational cost	129 million yen	
Maintenance and management fee	0 million yen	
Utility cost	0 yen	
Repair expenses	22 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	101 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	0 yen	
Net operating income	938 million yen	
Operating profit on lump-sum payments	10 million yen	
Capital expenditure	52 million yen	
Net cash flow	896 million yen	
Capitalization rate	5.2 %	
DCF method	17,000 million yen	
Discount rate	4.9 %	
Terminal capitalization rate	5.4 %	
Indicated value by cost approach	15,500 million yen	
Land ratio	62.9 %	
Building ratio	37.1 %	

Other matters of consideration	N/A