

Japan Retail Fund Investment Corporation (Tokyo Stock Exchange Company Code: 8953) News Release  
July 13, 2010

---

## **Notice Concerning Renovation Plan and Changing Tenant of Ito Yokado Narumi, Aichi Prefecture**

Japan Retail Fund Investment Corporation (TSE: 8953) announced today that we reached a mutual decision with the tenant, Ito-Yokado Co., Ltd. (the "Tenant"), at the property Ito-Yokado Narumi, Nagoya-city, Aichi Prefecture (the "Property"), to cancel the lease contract as of November 30, 2010. Furthermore, we decided to undertake a large scale renovation of the Property before reopening with new tenants, as outlined below.

### 1. Details of Renovation

In line with our Medium-term Business Policy, JRF has for some time planned a renovation of this property in order to improve the value of the property, and to ask the tenant to return part or all of the leased area and convert all or part of the property from a "Master lease property"<sup>(Note1\*)</sup> to a "Direct lease property"<sup>(Note2\*)</sup> in which we lease space directly to multiple strong and specialized tenants that are supported by consumers for offering goods and services at a reasonable price.

In the plan mentioned above, JRF considered the investment policy for the property including the economic condition of the Tenant because of the non-cancellable term of the lease was to end on August 31, 2011 based on the contract with the Tenant. In particular, we considered carefully both the operating condition and outlook for the future, and considered the risk of a request for a rent reduction or to leave the property, which we could expect if the current contract were continued, as well as a sale of the property to a third party. As a result, we concluded that converting the Property to a "direct lease property" to take advantage of the concentration of population in this retail area and the good location, and replacing multiple tenants with tenants that are better supported by local consumers, will increase the competitiveness of the property and create the highest value for unitholders. Based on this analysis, we entered discussions with the Tenant on conditions for the mutual cancellation of the lease contract.

Considering the situation mentioned above, we decided to cancel the lease contract before expiration of the non-cancellable period, carry out a large scale renovation of the Property with a minimum period of not operating, because we see good prospects for introducing new tenants, and we reached agreement with the Tenant on conditions for cancellation of the lease.

In selecting the main tenant, we chose a supermarket among several companies that expressed interest, and we expect the Property to be attractive to retailers given the good location and the quality of our management.

(Note1\*) A "Master lease property" is one where we lease a property to a single tenant (master lease company), and this tenant subleases to each end tenant.

(Note2\*) A "Direct lease property" is one where we conclude lease contracts directly with each tenant in the property.

## 2. Description of renovation

### 1) Overview of renovation

[Description of the property as of today]

Property name	Ito-Yokado Narumi
Location	232, 3-chome Urasato, Midori-ku, Nagoya-city, Aichi
Tenant (company) name	Ito-Yokado Co., Ltd.
Lease area	50,437.91m <sup>2</sup>
Percentage of total floor space of The Property	100%
Percentage of total floor space of all properties of JRF	1.79% (as of May 2010)
Type of contract	General lease contract
Term of contract with tenant (non-cancellable term of contract)	Until September 12, 2017 (Until August 31, 2012)

We will cancel the lease with the tenant above on November 30, 2010 and carry out the renovation described below.

(We cannot disclose the conditions of cancellation because of the duty of confidentiality)



[Description of renovation]

New property name	Narupark (provisional name)
Main tenant (scheduled)	Heiwado (supermarket) *For a description of the main tenant (scheduled), please refer to “2. 4) Description of main tenant (scheduled)”. We also plan to open a household appliances store, store specializing in casual wear, drug store, casual shoe store, book store etc.
Sales target for one year	Approximately 10,500 million yen
Expense for renovation (estimate)	Approximately 500 million yen

[Prospective NOI etc.]

Prospective annual rental income of real estate	Approximately 600 million yen
Prospective NOI (annual)	Approximately 360 million yen
NOI yield	4.4% Calculation: Prospective annual NOI/(book value as of the end of February 2010 + renovation expenses)

Transaction of prospective NOI	Prospective NOI	Note
August 2010 (17 <sup>th</sup> )	219 million yen	
February 2011 (18 <sup>th</sup> )	186 million yen	Compensation payment from tenant for breach of contract is included. Ito-Yokado will leave in November 2010
August 2011 (19 <sup>th</sup> )	125 million yen	Opening in March 2011 after renovation
February 2012 (20 <sup>th</sup> )	174 million yen	
August 2012 (21 <sup>th</sup> )	179 million yen	

\*At this time, Loss on disposal of fixed assets is not settled, so it is not counted.

### 2) Description of renovation

In line with our Medium-term Business Policy, JRF plans to carry out investment to convert certain of our master lease properties to direct lease properties, converting those retail properties where we can create more competitive properties and add value using knowledge and experience accumulated since JRF was listed on the Tokyo Stock Exchange in 2002. We will actively undertake replacement of tenants where we see the opportunity to increase value of properties in the future. With this renovation, relative to the current rent level, the initial Prospective NOI is expected to be slightly lower than that at present, but we plan to improve the competitiveness of the property through the project, and to introduce rent based on percent of sales in addition to base rents, we intend to raise the value of the property over time.

Specifically, in addition to the main tenant (scheduled) mentioned above, we intend to lease space to specialty stores supported by consumers because of their special character, competitively priced products and services, and in addition to the main customers that are middle aged or older who live around this property, we will target customers composed of young families with parents in their twenties and thirties, and we will choose tenants which attract such customers. With this plan we aim create a retail experience which has appeal for such customers to come every day and support it long into the future.

### 3) Schedule of renovation (programmed)

October-November 2010	Close of Ito-Yokado Narumi and construction to restore it to shell condition
December 2010	Start of renovation
Early in March 2011	Complete renovation
The late part of March 2011	Grand opening

### 4) Description of the main tenant (scheduled)

Name of tenant	Heiwado Co., Ltd.
Location	31, Koizumi-cho, Hikone-city, Shiga
Name and job title of representative	President & CEO: Heiwa Natsuhara
Business	General retail of food, clothes, household products
Capital	11,614,370 thousand yen (as of February 20, 2010)
Operating revenue	385,732 million yen (consolidated sales, as of February 20, 2010)
Establishment date	June 18, 1957
List on stock exchange	Tokyo, Osaka Stock Exchange on the First Section
Number of stores	124 stores (as of February 20, 2010)

\*This is the second store in Nagoya-city as Heiwado Co. Ltd.

### 3. Future Outlook for JRF

This renovation and replacement of the tenant is expected to have no immediate impact on the forecast of operating results for the 17<sup>th</sup> Fiscal Period (March 1, 2010 – August 31, 2010), and the impact is very slight on the operating results for the 18<sup>th</sup> Fiscal Period (September 1, 2010 – February 28, 2011) so we are not changing the forecast. If there are material changes in the renovation plan, we will disclose them.

【Picture of renovation】

— Present 【Ito-Yokado Narumi】 —



— After renovation (image) 【(provisional name) Narupark】 —



(Note) At present time JRF is selecting tenant and construction company, so please understand that this image picture could be changed drastically.

About JRF: Japan Retail Fund Investment Corporation ("JRF") is the third listed Japanese Real Estate Investment Trust and the first J-REIT to focus exclusively on retail properties. As of the date of this release, JRF owns 77 properties containing approximately 2.8 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 the Fund and 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., Asset Manager for Japan Retail Fund.

Investor Relations: Telephone Number: 81-3-5293-7081

---

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