

For Translation Purposes Only

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For Immediate Release

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Notice Concerning Sale of Property (Pacific Marks Shin-Urayasu)

United Urban Investment Corporation (“United Urban”) hereby announces that Japan REIT Advisors Co., Ltd. (“JRA”), the asset management company to which United Urban entrusts asset management services, has decided on the sale of property today as set forth below.

1. Overview of the Sale

United Urban sold the trust beneficial interests in the property shown below (the “Asset to be Sold”).

(million yen (rounded down to unit stated))

Property Number	Type of Use (Note 1)	Property Name	Location	Book Value (as of March 31, 2017)	Anticipated Sale Price (Note 2)	Difference between Book Value and Anticipated Sale Price (Note 3)	Date of Sale (Anticipated)
B15	Office Building	Pacific Marks Shin-Urayasu	Urayasu, Chiba	3,752	4,100	348	May 24, 2017

(Notes)

1. Type of Use is shown as per United Urban’s determination.
2. Anticipated Sale Price is shown without miscellaneous expenses for the sale, consumption tax, etc. The word is used with the same definition in this release.
3. “Difference between Book Value and Anticipated Sale Price” shows an indicative amount calculated by using the book value as of March 31, 2017. Therefore, such amount is different from the actual gains or losses. The amount is rounded down to the nearest million yen. The word is used with the same definition in this release.

2. Reason for the Sale

United Urban has eagerly worked to improve quality and profitability of its portfolio through replacement of the properties, taking into account the stability of cash flows of each property and other factors in addition to the portfolio composition, profitability, etc. with close observation of the portfolio.

The occupancy ratio of the Asset to be Sold had dropped to 66.4% as of the end of the twenty-sixth fiscal period (period ending November 30, 2016). We think it is not easy to recover the ratio greatly while the occupancy ratio recovered to 72.5% as of March 31, 2017. United Urban has received an offer for sale of the Asset to be Sold. After close examination of the offer from the buyer and the prospect of the Asset to be Sold, we have decided to sell the Asset to be Sold because the sale of the Asset to be Sold (the “Sale”) is thought to be in interest to United Urban in the long perspective.

United urban will use the proceeds from the Sale to acquire the properties or to repay the interest bearing debt considering increase of the unitholders’ interest.

3. Details of the Sale

(1) Summary of the Sale

- | | | |
|---|---|---|
| 1. Name of Asset | : | Pacific Marks Shin-Urayasu |
| 2. Type of Asset | : | Trust beneficial interest in real estate |
| 3. Anticipated Sale Price | : | ¥ 4,100 million |
| 4. Book Value | : | ¥ 3,752 million (as of March 31, 2017) |
| 5. Difference between Book Value and Anticipated Sale price | : | ¥ 348 million |
| 6. Appraisal Value | : | ¥ 3,390 million (Note) |
| 7. Anticipated Date of Agreement | : | May 19, 2017
(conclusion of the sale and purchase agreement) |
| 8. Anticipated Date of Sale | : | May 24, 2017 (transfer of the trust beneficial interest) |
| 9. Buyer | : | Domestic company (Undisclosed) |

(Note)

The amount describes the appraisal value as of May 1, 2017 calculated by a real estate appraiser. The appraisal agency is Japan Real Estate Institute. Please refer to “9. Summaries of Appraisal Report” for details.

(2) Outline of Sold Asset

Property Name		Pacific Marks Shin-Urayasu	
Type of the Property		Trust beneficial interest in real estate	
Trustee		Sumitomo Mitsui Trust Bank, Limited	
Trust Agreement term		From February 27, 2004 to September 30, 2026	
Location (Note 1)		Lot number	1-6-5 Mihama, Urayasu, Chiba
		Displayed Address	1-9-2 Mihama, Urayasu, Chiba
Use of property (Note 1)		Office, Parking lot	
Area (Note 1)		Land	2,877.11m ²
		Building	15,017.17m ²
Structure and Scale (Note 1)		SRC・RC B2/7F	
Completion Date (Note 1)		May 1993	
Type of Ownership		Land	Proprietary Ownership
		Building	Proprietary Ownership
Details of Tenant (Note 2)	Total Number of Tenants	17	
	Total Rental Revenues (yearly)	¥217 million	
	Security Deposit	¥165 million	
	Total Leasable Floor Space	8,743.05 m ²	
	Total Leased Floor Space	6,338.80 m ²	
	Occupancy Ratio	72.5%	
Other Special Notation		-	

(Notes)

- Each piece of information in the “Location (Lot number),” “Use of property,” “Area,” “Structure and Scale” and “Completion Date” is described as it appears on the real estate register. The words are used with the same definition in this release.
- Figures described in the “Details of Tenant” are as of March 31, 2017. Amounts are rounded down to the nearest digit, and the ratio is rounded to the nearest one decimal price. The words are used with the same definition in this release. Since “Total Rental Revenues (yearly)” is calculated by the contracted monthly rent being amount in effect as of March 31, 2017 (rental revenues and common area charges) multiplied it by 12, this amount may not necessarily be the same as the actual total amount of yearly rental revenues. The words are used with the same definition in this release.

4. Overview of The Buyer

The buyer is a domestic company. Details of the buyer (attribution, name, etc.) is not disclosed as the relevant consent has not been obtained. As of today, the buyer falls under neither the category of “related parties, etc” (the “Related Party”) under the Act on Investment Trusts and Investment Corporations of Japan (Act No.198 of 1951, as amended) nor the category of the sponsor/stakeholder (the “Sponsor/Stakeholder”) under the self-imposed rules (rules for conflicts of interest) of JRA. In addition, United Urban and JRA have no significant capital ties, personal relationships and transactions with the seller, and the buyer does not fall under a related party of United Urban and JRA.

5. Outline of Brokerage

(1) Outline of Broker

The broker is a domestic company. However, the broker's details are not disclosed because the broker has not given its consent for the disclosure of its profile, etc. As of today, the broker falls under neither the category of the Related Party nor the category of Sponsor/Stakeholder. In addition, United Urban and JRA have no significant capital ties, personal relationships and transactions with the broker, and the broker is not a related party of United Urban and JRA. However, the broker falls under the asset custodian, the transfer agent and the special account administrator of United Urban, and the trustee of many property of United Urban. In addition, United Urban has borrowed from the broker.

(2) Amount and Details of Commission

The amount of commission is not disclosed, due to unavoidable circumstances where the consent for the disclosure has not been obtained from the broker. The amount of commission for the broker is an amount less than the upper limit (3% of the anticipated acquisition price plus 60,000 yen (excluding consumption taxes) stipulated in the Building Lots and Buildings Transaction Business Act).

6. Transactions with Interested Party and Sponsor/Shareholder

Not applicable.

7. Method of Payment and Transfer Schedule

(1) Method of Payment

The payment to the buyer will be a lump-sum payment upon the delivery of Asset to be Sold.

(2) Transfer Schedule

May 18, 2017	Date of decision of transfer
May 19, 2017	Conclusion of sale and purchase agreement of trust beneficial interest (Anticipated)
May 24, 2017	Transfer of trust beneficial interest and payment (Anticipated)

8. Outlook of Operation

Due to the Sale, gain on the property sale will arise in the twenty-seventh fiscal period (period ending May 31, 2017). As of today, United Urban does not make any changes to the forecasts of financial results for the twenty-seventh fiscal period (period ending May 31, 2017) and the twenty-eighth fiscal period (period ending November 30, 2017) as the effect of the Sale is not significant.

9. Summaries of Appraisal Report

Appraisal Value	¥3,390,000 thousand
Appraisal Agency	Japan Real Estate Institute
Date of Value Estimate	May 1, 2017

(thousand yen, unless otherwise indicated)

Item	Details	Grounds
Income approach price	3,390,000	—
Price by Direct Capitalization Method	3,410,000	—
(1) Total profit (Effective total profit: 1+2+3+4-5-6)	382,382	—
1. Potential total profit (rental revenues, common area charges)	308,972	Assessed a unit value level of rent, etc. that can be received stably over the medium to long term based on the rent levels received under the current lease agreements, the levels of rents and common area charges of the subject property in case the new rents are assumed to take place and the quality of the current lessees; and recorded rental revenues and common area charges as calculated based on the unit value level thus assumed.
2. Utility revenues	71,000	Electricity charges for illuminating lamps and other equipment, air conditioning expenses and other expenses for the leased space were recorded as utility revenues in the case where the occupancy ratio for the leased space was 100%, which took into account occupancy conditions for the leased space based on the actual results of the previous fiscal year.
3. Parking revenues	23,520	Assessed a unit value level of charges that can be received stably over the medium to long term based on the average charges under the current lease agreements and the level, etc. of charges in case the new renting of parking lot is assumed to take place; and recorded parking revenues as calculated based on the unit value level thus assumed.
4. Other revenues	3,000	Vending machine, sign board and antenna installation fee etc. was recorded as other revenues.
5. Losses from vacancies	24,110	Assessed an occupancy ratio level that will remain stable over the medium to long term based on the occupancy status of and the supply and demand trends of competing or alternative, etc. real estate with similar features in a comparable area within the same sphere of supply and demand, and past occupancy status of and future prospects of the subject property for each use; and recorded the losses from vacancies, etc. as calculated based on the occupancy ratio level thus assumed.
6. Bad debt losses	0	Judged that no bad debt losses need to be recorded in view of the circumstances, etc. of lessees.
(2) Total expenses (7+8+9+10+11+12+13+14)	176,347	—
7. Administrative and maintenance fees	52,609	Recorded the administrative and maintenance fees comprising cleaning expenses, equipment management costs, security costs by taking into account prior actual performance, current administrative management fees, administrative and management fees of similar real estates and the annual average amount in the engineering report, etc.
8. Utilities	65,130	Recorded utility expenses by taking into account the occupancy ratio, etc. for the leased space based on prior actual performance.
9. Repairs	11,347	Recorded expenses for repairs by taking into account future management plans, the level of expenses of similar real estates and the annual average amounts, etc. of repairs in the engineering report in reference to prior actual performance.
10. Property and other tax	37,478	Recorded in accordance with documents related to taxes and other public charges.
11. Property Management Fee	7,553	This is a consignment fee payable to the outsource responsible for overall control of the tenant management service and building management service, etc. In order to assess property management fee, recorded such fee by taking into account the fee rates for similar real estates and the individualities, etc. of the Asset to be Sold.
12. Advertising expenses for tenants, etc.	1,711	For the brokerage, publicity and other expenses, etc. required in advertising for new tenants, recorded annual average amount assessed by assumed turnover period of lessees.
13. Casualty insurance	519	Recorded casualty insurance fee by taking into account insurance costs indicated on the insurance policy to be

			purchased and the rate, etc. of insurance costs of buildings similar to the subject building.
	14. Other expenses	0	No other expenses to be recorded under other expenses.
	(3) Net operating income (NOI: (1)-(2))	206,035	—
	(4) Operating profit of lump-sum money	1,948	Based on the current rental conditions and the number of monthly deposits at the new contract, we assessed the number of stable deposit months in medium- to long-term, and we assessed an operating profit of lump-sum money by these numbers of months multiplied by the occupancy ratio. Moreover, we assessed 1.0% as being the appropriate investment yield from the perspective of fund management during the period of deposit, by taking into account the level of interest rate, etc. of both sides of investment and procurement.
	(5) Capital expenditures (including routine repairs)	27,010	The renovation fee to maintain the building actually occurs irregularly. Here, assumed to accumulate expected expenses on average every fiscal period, and assessed capital expenditures, taking into account the level of capital expenditure and the age for similar real estates, and the annual average amount of renewal costs in the relevant engineering report.
	(6) Net cash flow (NCF: (3)+(4)-(5))	180,973	—
	(7) Cap rate	5.3%	Assessed based on a real-estate investment yield set for each area, by adjusting it with the spreads arising from location requirements, standing of the building and other conditions for the Asset to be Sold and by taking into account any future uncertainties and yields from similar real estate deals, etc.
	Price by Discounted Cash Flow method	3,360,000	—
	Discount rate	5.1%	Assessed by comprehensively taking into account the individuality of the subject property, in reference to investment yields from similar real estate deals, etc.
	Terminal cap rate	5.5%	Assessed by comprehensively taking into account the future trend of investment yield, risk of the subject property as investment objective, general forecasts on economic growth, and trends in real estate price and rent etc., in reference to investment yields from similar real estate deals, etc.
	Cost approach price	3,360,000	Land ratio: 61.3%, Building ratio: 38.7%

Other specific matters the appraisal agency has paid attention in appraising the property	None
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【Attached Materials】
 Portfolio Summary

Reference Material
Portfolio Summary

As of May 24, 2017 (Anticipated)

[Distribution by Type of Use]

Type of Use	Number of Properties (Note 1)	(Anticipated) Acquisition Price (Note 2)	
		Amount (million yen)	Ratio
Retail Property	37	207,672	33.4%
Office Building	38	209,835	33.8%
Hotel	15	111,327	17.9%
Residence	25	46,278	7.4%
Others	11	46,448	7.5%
Total	123	621,559	100.0%

[Distribution by Geographical Location]

Location (Note 3)	Number of Properties	(Anticipated) Acquisition Price (Note 2)	
		Amount (million yen)	Ratio
6 Central Wards of Tokyo	26	129,977	20.9%
23 Wards of Tokyo	13	60,211	9.7%
Tokyo Metropolitan Area	33	197,582	31.8%
Other Regions	51	233,790	37.6%
Total	123	621,559	100.0%

(Notes)

- Each of “maricom-ISOGO / SYSTEM PLAZA YOKOHAMA (Site),” a retail property/office building complex and “Shin-Osaka Central Tower” and “SS30”, an office building/hotel complex has been counted as per each of types of use, while counted as one property in the total column. Therefore, the aggregate number of properties of each type is not equal to that of the total column.
- Figures have been rounded to the nearest unit. There is the possibility the aggregated figures shown is not the same at the actual figures. The percentage is shown by rounding down to the nearest digit and there is the possibility that the aggregated figures are not the same as the actual total figures.
- The definition of geographical location is as set forth below.

Tokyo Metropolitan Area (Note a)			Other Regions (Note b)
6 Central Wards of Tokyo	23 Wards of Tokyo	Tokyo Metropolitan Area	Major Japanese cities including government designated cities (excluding those in Tokyo Metropolitan Area) and the surrounding areas thereof
Chiyoda-ku, Minato-ku, Chuo-ku, Shinjuku-ku, Shibuya-ku, and Shinagawa-ku	23 wards of Tokyo except for 6 Central Wards of Tokyo	Tokyo Metropolitan Area excluding 23 wards of Tokyo	

Notes

- Tokyo Metropolitan Area refers to Tokyo as well as Kanagawa, Chiba, Saitama, Ibaraki, Gunma, Tochigi and Yamanashi prefectures.
 - “Osaka Area: Osaka Prefecture, Kyoto Prefecture and Hyogo Prefecture”, “Nagoya Area: Aichi Prefecture, Mie Prefecture and Gifu Prefecture” and, “Other cities: excluding Tokyo Metropolitan Area, Osaka Area or Nagoya Area”.
- United Urban acquired “the adjacent site to the b roppongi” for constructing an extension of “the b roppongi” (the building with leasehold was acquired as of November 18, 2016, and the land was acquired as of January 13, 2017.). Then “the adjacent site to the b roppongi” is recognized as a property associated with “the b roppongi”. Therefore, acquisition of “the adjacent site to the b roppongi” is not reflected on above “Portfolio Summary”.
 - In addition to the properties in the above chart, United Urban has an asset as below:

Type of the Asset and Asset Name etc.	Outline of the Asset	Acquisition Date	Acquisition Price (million yen)	
Preferred equity securities of Tenjin 123 Project TMK	1,130 units	Apr. 21, 2016	74	Total: 93
	367 units	Oct. 3, 2016	18	

- The latest information about United Urban’s portfolio is disclosed on United Urban’s website.
http://www.united-reit.co.jp/eng/cms/portfolio/port_list.html