Japan Retail Fund Investment Corporation

Japan Retail Fund Investment Corporation (Tokyo Stock Exchange Company Code: 8953)
News Release –September 30, 2015

# Notice Concerning Acquisition of Trust Beneficiary Interest in G-Bldg. Shinsaibashi 04*

Mitsubishi Corp. – UBS Realty Inc., the asset manager (the "Asset Manager") of Japan Retail Fund Investment Corporation ("JRF"), determined today to acquire a trust beneficiary interest in G-Bldg. Shinsaibashi 04 (the "Property") as outlined below.

1. Overview of acquisition

| | |
|---|---|
| 1) Property type | Trust beneficiary right in real estate |
| 2) Property name | G-Bldg. Shinsaibashi 04* |
| 3) Acquisition price | 2,350 million yen |
| 4) Appraisal value | 2,480 million yen (as of September 1, 2015) |
| 5) Contract completion date | September 30, 2015 |
| 6) Acquisition date | October 16, 2015 (scheduled) |
| 7) Seller | Fukuhara Kogyo |
| 8) Acquisition funds | Debt and cash on hand |
| 9) Payment | Full payment at closing |

* The Property name indicated in this notice is the name to which JRF plans to change after the completion of acquisition of the Property. As of today, the name of the Property is NORD+S Minamisenba.

2. Reason for acquisition

JRF is going to acquire the Property with the aim of further diversifying and increasing the profitability of its portfolio. With this acquisition, JRF is also able to further enhance urban retail facilities in its portfolio.

For acquisition of the Property, JRF evaluated the following in particular:

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## Highlight of acquisition

**Complex type commercial facility located in a busy shopping arcade that is in the north of Shinsaibashi station**

### Attractiveness of market

- Increase in number of both domestic and international tourists can be expected as department stores and fashion brand boutiques are concentrated in Shinsaibashi; also, the area has a potential to become all the more attractive through new store openings, etc.

### Attractiveness of location

- The Property is situated in a rare location that is about 4 minutes walk from Shinsaibashi station on Osaka Municipal Subway Midosuji Line and is in the shopping arcade that extends to the north from Nagahoridori.
- Shinsaibashi North Shopping Street is a busy shopping arcade; there are various shops such as men's clothing stores, shoe stores, drug stores, café and beauty salons in the arcade. Since the stores that sell products for daily use are mainly in the arcade, it attracts many customers.

### Attractiveness of facility

- The Property is a complex type commercial facility where SUIT SELECT operated by KONAKA Group is in the 1st floor and family restaurants, etc. are in the upper floors.
- The Property has leasable area of approximately 300 $m^2$ per floor and has highly visible façade; therefore, it is possible to attract a wide variety of tenants.

### Photo and map






## 3. Overview of Property

| | | | | |
|---|---|---|---|---|
| Property name | | G-Bldg. Shinsaibashi 04 | | |
| Type of asset | | Trust beneficiary right in real estate | | |
| Trustee | | Sumitomo Mitsui Trust Bank, Limited | | |
| Trust period | | Not determined yet | | |
| Location (address) | | 10-5 Minamisenba 3-chome, Chuo-ku, Osaka, Osaka | | |
| Land | | | | |
| | Area | 439.47m$^2$ | | |
| | Zoning | Commercial district | Type of possession | Ownership |
| Building | | | | |
| | Structure/stories | 5 stories above ground, steel construction with deck roof | | |
| | Total floor area | 1,488.67m$^2$ | | |
| | FAR/building-to-land ratio | 600%/80% | Type | Retail and warehouse |
| | Completion date | February 14, 2007 | Type of possession | Ownership |
| | Design | Tsuda Architect Studio | | |
| | Construction | Nankai Tatsumura Construction Co., Ltd. | | |
| | Constructional inspector | Kinkaku Kikou K.K. | | |
| | PML | 7.4%<br>(Based on the earthquake risk analysis report jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation.) | | |
| Acquisition price | | 2,350 million yen | | |
| Appraisal value | | 2,480 million yen (as of September 1, 2015) | | |
| Appraiser | | CBRE K.K. | | |
| Tenant summary | | | | |
| | Number of tenant(s) | 4 (SUIT SELECT, Gusto, etc.) | | |
| | Annual rent | 125 million yen | | |
| | Tenant leasehold/security deposit | 93 million yen | | |
| | Total leased area | 1,181.35 m$^2$ | Occupancy rate (based on leased area) | 100.0% |
| | Total leasable area | 1,181.35 m$^2$ | | |
| | Major tenant | | | |
| | Period of contract | Not disclosed as the tenants have not agreed to the disclosure of information. | | |
| | Type of contract | | | |
| | Revision of rent | | | |
| | Early termination | | | |
| Collateral conditions | | N/A | | |
| Special notes | | ・There is an arcade for protection against rain on the premise (in front of the Property) that was built without a building permit based on Building Standards Act. We have reached an agreement with the seller that it will remove the arcade at its responsibility and cost. | | |

・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.
・"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.
・"Annual rent" is calculated by taking the total amount of monthly rents, common area fees, etc. indicated in lease agreements and other documents expected to be in effect as of the anticipated acquisition date of each of the properties to be acquired and multiplying this amount by 12.
・"Tenant summary" indicates information that includes the expected fourth floor tenant, Fukuhara Kogyo, with whom a lease contract will be made on October 16, 2015.

## 4. Overview of Seller

| | | |
|---|---|---|
| 1) | Name | Fukuhara Kogyo |
| 2) | Location | 17-11 Benten 5-Chome, Minato-ku, Osaka, Osaka |
| 3) | Title & name of representative | President: Meitatsu Fukumoto |
| 4) | Line of business | Roofing work, solar cell module installation and construction, tile, brick and block work, electric construction, civil engineering and construction, plastering work, sheet-metal work, fitting frame work, waterproofing work, interior finish work, mason business, building material sale, real-estate leasing, general leasing, and other accompanying work |

| | | |
|---|---|---|
| 5) | Capital | 98 million yen (as of December 31, 2014) |
| 6) | Date established | January 20, 1989 |
| 7) | Net assets | Not disclosed as the seller has not agreed to the disclosure of information. |
| 8) | Total assets | |
| 9) | Major shareholder and shareholding ratio | |
| 10) | Relationship with JRF/the Asset Manager | |
| | Capital relationship<br>Personal relationship | There is no noteworthy capital or personal relationship between JRF, the Asset Manager and the company. In addition, there is no noteworthy capital or personal relationship between interested parties and affiliated companies of JRF, the Asset Manager and those of the company. |
| | Trade relationship | As of today there is no noteworthy business relationship with the company; however, a lease contract for the fourth floor of the Property will be made with the company on October 16, 2015, JRF's acquisition date of the Property. |
| | Related parties | The company does not fall under the category of a related party of JRF and the Asset Manager. In addition, none of the related parties and affiliated companies of this company fall under the category of the related parties of JRF and the Asset Manager. |

5. Ownership history of the Property to be acquired

The Property is not acquired from the seller which falls under the category of a related party of JRF and the Asset Manager.

6. Brokerage profile

(1)Broker profile

| | | |
|---|---|---|
| 1) | Name | Sumitomo Mitsui Trust Bank, Limited |
| 2) | Location | 1-4-1, Marunouchi, Chiyoda-ku, Tokyo |
| 3) | Title & name of representative | President: Hitoshi Tsunekage |
| 4) | Line of business | Financial-related business |
| 5) | Capital | 342 billion yen (as of March 31, 2015) |
| 6) | Date established | July 28, 1925 |
| 7) | Relationship with JRF and the Asset Manager | |
| | Capital relationship<br>Personal relationship<br>Trade relationship | There are no noteworthy capital, personal or business relationships between JRF, the Asset Manager and the company. In addition, there are no noteworthy capital, personal or business relationships between interested parties and affiliated companies of JRF, the Asset Manager and those of the company. |
| | Related parties | The company does not fall under the category of a related party of JRF and the Asset Manager. In addition, none of the related parties and affiliated companies of this company fall under the category of the related parties of JRF and the Asset Manager. |

(2)Brokerage fee and other fee amount and breakdown

The broker, Sumitomo Mitsui Trust Bank, Limited, has not agreed to disclose the details of the commission.

7. Payment

Full payment at closing

8. Acquisition schedule

| | |
|---|---|
| Decision-making date | September 30, 2015 |
| Purchase agreement signing date | September 30, 2015 |
| Payment date | October 16, 2015 (scheduled) |
| Acquisition date | October 16, 2015 (scheduled) |

9. Future outlook

As the impact of this acquisition on our revenue forecasts for the fiscal period ending February 2016 (the 28th period: September 1, 2015 – February 29, 2016) and the fiscal period ending August 2016 (the 29th period: March 1, 2016 – August 31, 2016) is marginal, these forecasts will not be revised.

## 10. Appraisal Report Summary

| | |
|---|---|
| Appraiser | CBRE K.K. |
| Appraisal value | 2,480 million yen |
| Value date | September 1, 2015 |

| Item | | | | Value | Notes |
|---|---|---|---|---|---|
| Indicated value by income approach | | | | | |
| | DC method | | | 2,490 million yen | |
| | | Operating income | | 137 million yen | |
| | | | Effective gross income | 139 million yen | |
| | | | Loss from vacancy, etc. | △2 million yen | |
| | | Operational cost | | 30 million yen | |
| | | | Maintenance and management fee | 3 million yen | |
| | | | Utility cost | 17 million yen | |
| | | | Repair expenses | 0 million yen | |
| | | | Property manager fee | Not disclosed | As the disclosure of this information may negatively affect JRF's competitiveness and work to the detriment of unitholders, we have decided not to disclose the information, and include it under "other expenses." |
| | | | Leasing cost | 0 million yen | |
| | | | Property tax | 6 million yen | |
| | | | Insurance premium | Not disclosed | As the disclosure of this information may negatively affect JRF's competitiveness and work to the detriment of unitholders, we have decided not to disclose the information, and include it under "other expenses." |
| | | | Other expenses | 2 million yen | |
| | | Net operating income | | 107 million yen | |
| | | | Operating profit from lump-sum payments | 2 million yen | |
| | | | Capital expenditure | 2 million yen | |
| | | Net income | | 107 million yen | |
| | | Capitalization rate | | 4.3% | |
| | DCF method | | | 2,480 million yen | |
| | | Discount rate | | 3.8% | |
| | | Terminal capitalization rate | | 4.2% | |
| Indicated value by cost approach | | | | 2,070 million yen | |
| | Land ratio | | | 92.4% | |
| | Building ratio | | | 7.6% | |

| | |
|---|---|
| Other matters of consideration | N/A |

【Reference】

Prospective income and expenditures for the Property

| Prospective income & expenditures | |
|---|---|
| NOI (Net Operating Income) | 91 million yen |
| NOI yield | 3.9% |
| Depreciation | 5 million yen |
| NOI yield after depreciation | 3.7% |

- NOI is based on the annual rent under the lease agreement
- NOI yield is calculated by dividing NOI by the acquisition price and rounding to the nearest second decimal place.
- Depreciation is the approximate estimate as of today.
- NOI yield after depreciation is calculated by dividing NOI after deducting depreciation by the acquisition price and rounding to the nearest second decimal place.

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 94 properties containing approximately 3.1 million square meters of leasable space.
Please refer to our website at **http://www.jrf-reit.com/english/index.html** for further details.

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