Japan Retail Fund Investment Corporation

Japan Retail Fund Investment Corporation (Tokyo Stock Exchange Company Code: 8953)
News Release –January 25, 2016

Notice Concerning Acquisition of a property in G-Bldg. Kyoto Kawaramachi 01(Note 1)

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 as outlined below.

1. Overview of acquisition

1)	Property type	Trust beneficiary right in real estate
2)	Property name	G-Bldg. Kyoto Kawaramachi 01
3)	Location	235, Yamazakicho 2-chome, Sanjo-sagaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto
4)	Acquisition price	2,180 million yen
5)	Appraisal value	2,340 million yen (as of January 22, 2016)
6)	Contract completion date	January 27, 2016 (planned)
7)	Acquisition date	March 18, 2016 (planned)
8)	Seller	Not disclosed(Note 2)
9)	Acquisition funds	Cash on hand and Debt (planned)
10)	Payment	Full payment at closing

(Note 1) 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 Forecast Kyoto.
(Note 2) We have not obtained the necessary permission from the seller to disclose this information.

2. Reason for acquisition

JRF positions the strategic replacement of assets aimed at increasing the profitability and stability of the portfolio as one of its external growth strategies and promotes the optimization of its asset structure which flexibly adapts to the changes in demographics, consumption structure and trends in Japan.

This acquisition is part of the asset replacement program with the aim of optimizing its portfolio by acquiring prime urban properties, as disclosed in the "Notice Concerning Disposition of Five Properties and Termination of Lease Accompanying Disposition 'AEON MALL Yachiyo Midorigaoka, AEON Nishi-Otsu, AEON Ueda, AEON Omiya and AEON MALL Kashiihama'" announced on October 14, 2015. JRF acquires urban retail facilities facing Kawaramachi Street, one of the busiest streets in Kyoto.

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

Highlight of acquisition

Acquisition of third commercial complex for JRF in the Shijo-Kawaramachi Area, one of the busiest shopping districts in Kyoto

Attractiveness of market

- The area around Shijo-Kawaramachi, where the Property is located, is a bustling shopping and entertainment district with large commercial facilities, roadside stores of popular fashion brands, entertainment facilities, restaurants, and fashion buildings.
- "Inbound consumption" by foreign tourists has been increasing recently.

Attractiveness of location

- The Property is a 5-minute walk from Kawaramachi Station on the Hankyu Kyoto Line, Sanjo Station on the Keihan Honsen Line, and Kyoto Shiyakushomae Station on the Subway Tozai Line, respectively, which makes the Property highly accessible and convenient for users of these lines.
- The Property faces Kawaramachi Street, the main street of the Shijo-Kawaramachi Area, and is close to the intersection with Rokkaku Street, which links large-scale facilities that attract customers, such as Kyoto BAL, MOVIX Kyoto, and mina Kyoto. There is a lot of traffic, and customers can be expected to stroll around the area.

Attractiveness of facility

- The Property has an entrance facing Kawaramachi Street, for upper to middle floors and another entrance for the first floor and the basement level and secures a stress-free flow for customers.
- Each floor has a leasable area of 80 tsubo, and tenants in a wide variety of sectors and business categories can be attracted.

Currently, there are three tenants (restaurant and retail) in the property and the occupancy rate is 36.2%. This is because one tenant occupied the 4th floor through the 8th floor since completion of construction, vacated the Property at the end of November 2015.

Using the SC management capabilities of the Asset Manager, including broad-based tenant relations accumulating by years of management performance, JRF plans to promptly implement leasing activities and work on improving the profitability of the property toward achieving an optimal tenant structure that leverages the location of the Property, as well as the attractiveness of the facility.

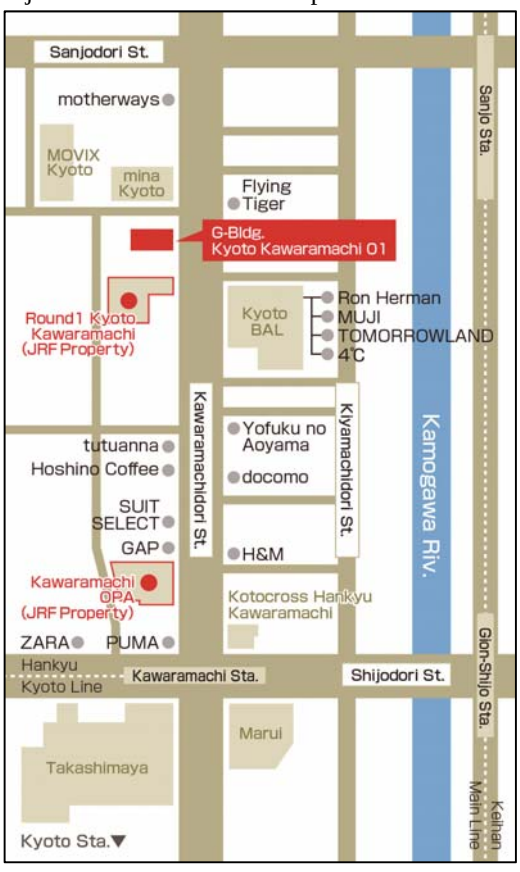
■Property Photo



■Map



■Shijo-Kawaramachi Area Map



3. Overview of the Property

Property name		G-Bldg. Kyoto Kawaramachi 01		
Type of asset		Trust beneficiary right in real estate		
Location (address)		235, Yamazakicho 2-chome, Sanjo-sagaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto		
Land				
	Area	379.91m^2		
	Zoning	Commercial district	Type of possession	Ownership
Building				
	Structure/stories	8 stories above ground and 1 basement floor, SRC structure building with flat roof		
	Total floor area	2,636.43m^2		
	FAR/building-to-land ratio	700%/100%	Type	Retail
	Completion date	September 2010	Type of possession	Ownership
	Design	TOYO ARCHITECTS AND ENGINEERS OFFICE		
	Construction	HAZAMA ANDO CORPORATION		
	Constructional inspector	Kyoto Organization of Confirmation & Inspection		
	PML	4.2% (Based on the earthquake risk analysis report jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation.)		
Acquisition price		2,180 million yen		
Appraisal value		2,340 million yen (as of January 22, 2016)		
Appraiser		DAIWA REALESTATE APPRAISAL CO.,LTD		
Tenant summary				
	Number of tenant(s)	3		
	Annual rent	42 million yen		
	Tenant leasehold/security deposit	22 million yen		
	Total leased area	799.19 m^2	Occupancy rate (based on leased area)	36.2%
	Total leasable area	2,209.87m^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		N/A		

・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.

4. Overview of Seller

The seller is a domestic corporation but we have not obtained the necessary permission from the seller to disclose its name and other related information. There are no capital, personal, or business relationships to note between JRF/the Asset Manager and this company. In addition, there are no noteworthy capital, personal or business relationships between the interested parties and affiliated companies of JRF/the Asset Manager and those of the company. The company does not fall under the category of a related party of JRF/the Asset Manager. In addition, none of the related parties and affiliated companies of the company are related parties of JRF / the Asset Manager.

5. Overview of Broker

N/A

6. Matters concerning forward commitment

This acquisition is considered a "forward commitment by investment corporations" (Note) as provided in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators."

JRF plans to pursue the acquisition using cash on hand and believes that the possibility of not being able to carry out the forward commitment is extremely low. In case, however, the forward commitment cannot be carried out, 20% of the expected purchase price shall be paid as a penalty for breach of purchase agreement.

(Note) Forward Commitment, etc. 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."

7. Payment

Full payment at closing

8. Acquisition schedule

Decision-making date	January 25, 2016
Purchase agreement signing date	January 27, 2016 (planned)
Payment date	March 18, 2016 (planned)

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	DAIWA REALESTATE APPRAISAL CO.,LTD
Appraisal value	2,340 million yen
Value date	January 22, 2016

Item	Value	Notes
Indicated value by income approach		
DC method	2,460 million yen	
Operating income	146 million yen	
Effective gross income	151 million yen	
Loss from vacancy, etc.	4 million yen	
Operational cost	38 million yen	
Maintenance and management fee	5 million yen	
Utility cost	16 million yen	
Repair expenses	1 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	1 million yen	
Property tax	10 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	4 million yen	
Net operating income	108 million yen	
Operating profit from lump-sum payments	1 million yen	
Capital expenditure	2 million yen	
Net income	108 million yen	
Capitalization rate	4.4%	
DCF method	2,290 million yen	

		Discount rate	4.2%	
		Terminal capitalization rate	4.6%	
Indicated value by cost approach			2,210 million yen	
	Land ratio		81.0%	
	Building ratio		19.0%	

Other matters of consideration	N/A

【Reference】

Prospective income and expenditures for the Property

Prospective income & expenditures	Normal occupancy
NOI (Net Operating Income)	96 million yen
NOI yield	4.4 %
Depreciation	14 million yen
NOI yield after depreciation	3.8 %

・NOI based on the annual income according to the lease contract with existing three tenants as of today is 22 million yen.
・NOI under normal occupancy is based on annual income, taking into account the existing lease contract, occupancy with assumed rent (market rent) for vacant areas and 4.2% vacancy loss.
・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. 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:
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