Japan Retail Fund Investment Corporation

Japan Retail Fund Investment Corporation (Tokyo Stock Exchange Company Code: 8953)
News Release – September 29, 2016

Completion of Acquisition of G-Bldg. Sendai Ichibancho 01

Japan Retail Fund Investment Corporation ("JRF"), hereby announces the completion of its acquisition of the building with leasehold interest in G-Bldg. Sendai Ichibancho 01, as indicated in the news release titled "Notice Concerning Acquisition of a Property in Sendai, Miyagi," dated December 24, 2015.

1. Background of acquisition

On December 25, 2015, JRF concluded a sales contract for a land with leasehold interest and building with leasehold interest of the property, and completed the acquisition for the land with leasehold interest on the same day. JRF completed the acquisition of the building today as scheduled, following JRF's approval on the seismic strengthening works (hereinafter referred to as the "Works") that were conducted by the seller at its responsibility and at its cost.

The property is leased to a single tenant, a world renowned fast fashion brand, which started its store operation at the property on September 19, 2016.

2. Contents finalized upon completion of the acquisition (changes are indicated by underline)

(1) Page 1, "1. Overview of acquisition"

[Before]

1)	Property type	Real property
2)	Property name	G-Bldg. Sendai Ichibancho 01(Note 2)
3)	Location	5-12 Ichibancho 3-chome, Aoba-ku, Sendai-shi, Miyagi, Japan
4)	Acquisition price	Building with leasehold interest: 1,500 million yen
5)	Appraisal value / Researched Value (Note 3)	1,600 million yen (as of December 1, 2015)
6)	Contract completion date	December 25, 2015 (planned)
7)	Acquisition date	September 30, 2016 (planned)
8)	Seller	NK Planning Sendai LLC
9)	Acquisition funds	Cash on hand
10)	Payment	Full payment at closing

(Note 1) After acquiring the building with leasehold interest, JRF intends to own the land and the building in their entirety on September 30, 2016 (planned), and the leasehold will accordingly cease to exist.

(Note 2) It is the name JRF plans to adopt after acquisition. The current name is not disclosed as the seller's consent has not been obtained.

(Note 3) The appraisal value is used for the i) land with leasehold interest while the researched value calculated based on the real-estate appraisal standards (hereinafter called the "standards") is used for the ii) building with leasehold interest as the Works as well as the tenancy of a new tenant have not been completed as of the value date, and thus appraisal based on these standards cannot be performed. As this research value is conditional on the transaction wherein the owner of the leasehold acquires the ii) building with leasehold interest, of the increase in value calculated by deducting the fair market value of the i) land with leasehold interest and the ii) building with leasehold interest from the research value of the Property, the increase allocated to the ii) building with leasehold interest based on its contribution is added to the normal value of the ii) building with leasehold interest. The same shall apply hereinafter.

[After]

1)	Property type	Real property
2)	Property name	G-Bldg. Sendai Ichibancho 01
3)	Location	5-12 Ichibancho 3-chome, Aoba-ku, Sendai-shi, Miyagi, Japan
4)	Acquisition price	Building with leasehold interest: 1,500 million yen
5)	Appraisal value	1,620 million yen (as of September 14, 2016)
6)	Contract completion date	December 25, 2015
7)	Acquisition date	September 29, 2016
8)	Seller	NK Planning Sendai LLC
9)	Acquisition funds	Cash on hand
10)	Payment	Full payment at closing

(Note 1) After acquiring the building with leasehold interest on September 29, 2016, JRF owns the land and the building in their entirety, and the leasehold accordingly ceased to exist.

(2) Page 5, "3. Overview of the Property - (2) Building with leasehold interest"

[Before]

Building				
	Structure/stories	4 stories above ground and 1 basement, steel-framed structure with flat roof		
	Total floor area	2,191.16 m^2		
	FAR/building-to-land ratio	600%/80%	Type	Retail, office and warehouse
	Completion date	December 5, 1968 March 23, 1990	Type of possession (Note 1)	Subdivided ownership
	Design	Newly built /1st extension work: Takenaka Corporation 2nd extension work: *Terui Architect Office*		
	Construction	Newly built /1st extension work: Takenaka Corporation 2nd extension work: Nittoc Construction Co., Ltd.		
	Constructional inspector	Newly built /1st extension work: *Sendai City Construction Officer* 2nd extension work: *Sendai City Construction Officer*		
	PML	2.8% (Based on the earthquake risk analysis report jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation.)		
Acquisition price		1,500 million yen		
Researched value		1,600 million yen (as of December 1, 2015)		
Researcher		CBRE K.K.		
Tenant summary (Note 2)				
	Number of tenant	1 (Not disclosed)		
	Annual rent	204 million yen		
	Tenant leasehold/security deposit	102 million yen		
	Total leased area	2,163.70 m^2	Occupancy rate (based on leased area)	100.0%
	Total leasable area	2,163.70 m^2		
	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		・ The building with leasehold interest built on December 5, 1968 was designed and constructed based on the former earthquake resistance act (former earthquake resistance standards), and a part of this building does not satisfy the new earthquake resistance standards. Therefore, seismic strengthening works will be done at the seller's own responsibility and expense after JRF acquires the land with leasehold interest. ・ Although two unused transformers remain in the machine room on the second basement of the building with leasehold interest on which a PCB contents inspection has not been performed, an agreement with the seller is in place to lawfully handle them at the seller's own responsibility and expense before JRF acquires the building with leasehold interest.		

	・ Although steel beams used for open ceiling space on each floor and heat insulating material as well as lagging used in the machine room on the second basement of the building with leasehold interest may contain asbestos, an agreement with the seller is in place to properly handle it at the seller's own responsibility and expense before JRF acquires the building with leasehold interest.

(Note 1) Although the building with leasehold interest is a building with unit ownership, JRF will own the entire building.
(Note 2) A fixed-term lease contract has already been concluded between the seller and the prospective new tenant. The leased area shown on this fixed-term lease contract may change due to the seismic strengthening works to be done by the seller. When the leased area changes, the seller will sign a memorandum with the prospective new tenant concerning the accurate leased area by the date of acquisition of the building with leasehold interest by JRF.

[After]

Building (Note 1)				
	Structure/stories	4 stories above ground and 1 basement, steel-framed structure with flat roof		
	Total floor area	2,191.16 m^2		
	FAR/building-to-land ratio	600%/80%	Type	Retail, office and warehouse
	Completion date	December 5, 1968 March 23, 1990	Type of possession (Note 2)	Subdivided ownership
	Design	Newly built /1st extension work: Takenaka Corporation 2nd extension work: *Terui Architect Office*		
	Construction	Newly built /1st extension work: Takenaka Corporation 2nd extension work: Nittoc Construction Co., Ltd.		
	Constructional inspector	Newly built /1st extension work: *Sendai City Construction Officer* 2nd extension work: *Sendai City Construction Officer*		
	PML	1.8% (Based on the earthquake risk analysis report jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation.)		
Acquisition price		1,500 million yen		
Appraisal value		1,620 million yen (as of September 14, 2016)		
Appraiser		CBRE K.K.		
Tenant summary (Note 2)				
	Number of tenant	1 (Not disclosed)		
	Annual rent	204 million yen		
	Tenant leasehold/security deposit	102 million yen		
	Total leased area	2,387.17 m^2	Occupancy rate (based on leased area)	100.0%
	Total leasable area	2,387.17 m^2		
	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		・ The building with leasehold interest built on December 5, 1968 was designed and constructed based on the former earthquake resistance act (former earthquake resistance standards), and a part of this building does not satisfy the new earthquake resistance standards. Therefore, seismic strengthening works was conducted at the seller's own responsibility and expense after JRF acquires the land with leasehold interest. ・ Although two unused transformers remained in the machine room on the second basement of the building with leasehold interest on which a PCB contents inspection has not been performed, the seller lawfully handled them at the seller's own responsibility and expense before JRF's acquisition of the building with leasehold interest. ・ Although steel beams used for open ceiling space on each floor and heat insulating material as well as lagging used in the machine room on the second basement of the building with leasehold interest may have contained asbestos, the seller properly handled it at the seller's own responsibility and expense before JRF's acquisition of the building with leasehold interest.		

(Note 1) JRF plans to make registration of changes on the "total floor area," "type" and other items that have been changed, after the completion of acquisition.
(Note 2) Although the building with leasehold interest is a building with unit ownership, JRF will own the entire building.

3. Appraisal Report Summary

- Building with leasehold interest

Appraiser	CBRE K.K.
Appraisal value	1, 620 million yen
Value date	September 14, 2016

Item			Value	Notes
Indicated value by income approach (market value)			1,150 million yen	
	DCF method		1,150 million yen	
		Discount rate	4.2%	
		Terminal capitalization rate	-%	

Other matters of consideration	The appraisal value of the building with a land lease right is calculated by adding the amount allocated according to the contribution of the building with the land lease right from the increased value of the property, which is incurred as a result of the land and the building being held by the same owner, to the market value of the building with the land lease right; therefore, it is a price with an element of a special value added.

【Reference】

Prospective income and expenditures for the building with leasehold interest

Prospective income & expenditures	
Acquisition price	4,320 million yen
NOI (Net Operating Income)	190 million yen
NOI yield	4.4%
Depreciation	18 million yen
NOI yield after depreciation	4.0%

- 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 first 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 first decimal place.

- Photo



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