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MC-UBS GROUP

Japan Retail Fund Investment Corporation

August 26, 2020

To all concerned parties:

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Notice Concerning Acquisition of Trust Beneficiary Right in Real Estate in Japan (G-Bldg. Tenjin Nishi-dori 02)

Japan Retail Fund Investment Corporation ("JRF") announced today that Mitsubishi Corp. – UBS Realty Inc., JRF's asset manager (the "Asset Manager"), determined to acquire trust beneficiary right in real estate of G-bldg. Tenjin Nishi-dori 02 (the "Property") as outlined below.

1. Overview of Acquisition

1)	Property type	Trust beneficiary right in the real estate
2)	Property name	G-Bldg. Tenjin Nishi-dori 02
3)	Location	12-64, Daimyo 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka
4)	Acquisition price (Scheduled)	5,000 million yen
5)	Appraisal value	5,480 million yen (as of August 1, 2020)
6)	Contract completion date	August 31, 2020 (Scheduled)
7)	Acquisition date	August 31, 2020 (Scheduled)
8)	Seller	Not disclosed (Note)
9)	Acquisition funds	Cash on hand (Scheduled)
10)	Payment	Full payment at closing

(Note) Not disclosed as the seller has not agreed to the disclosure.

2. Reasons for Acquisition

JRF is optimizing its asset structure in response to changes in the environment surrounding retail properties including changes in demographics in Japan, advances in e-commerce, and increasing leisure time. To optimize its asset structure, JRF has divided its portfolio into Core, Secondary core, and Sub assets (Note) and is focusing on the portfolio of Core properties in locations where people gather and that enable JRF to demonstrate its ability to attract people.

Acquisition of the Property is the acquisition of an asset located in the Tenjin area in Fukuoka Prefecture and classified as a Prime property in accordance with JRF's asset replacement strategy.

For acquisition of the Property, JRF evaluated the following:

(Note) In the portfolio categories, the Core asset category comprises "Prime, Major Station, and Residential Station" type properties; the Secondary core asset category comprises "Suburban Mall and Value-added" type properties; and the Sub asset category comprises "GMS / roadside and Other retail properties with low-yield" type properties.

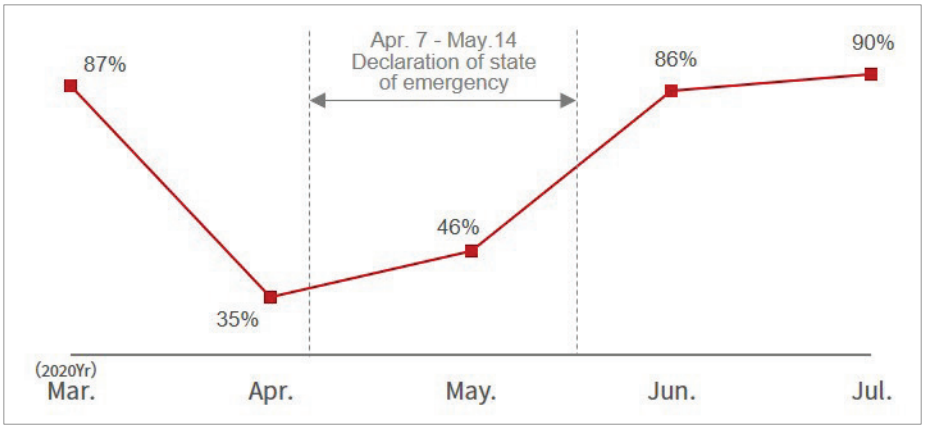
Highlight of acquisition

The Property is an urban retail property located along Tenjin Nishi-dori, the main thoroughfare of the Fukuoka Tenjin area, which is the busiest commercial district in Kyushu.

Potential of location

- The Property is located along the Tenjin Nishi-dori, the main thoroughfare of the Tenjin area, and the road in front of the Property has especially heavy pedestrian traffic, making the location the busiest on the street.
- Pedestrian traffic of domestic consumers—the main customer segment in the area around the Property—has recovered to its level before the state of emergency was declared.

< Changes in pedestrian traffic in the area around the Property (year-on-year) >



(Note) Using "KDDI Location Analyzer," the figures were calculated based on the total population estimated by expanding data from public statistics.

Validity of price

- As contract rent with the current tenants is lower than the average market rent, downside risk of rent is limited.
- The planned acquisition price has been assessed taking into consideration the possibility of a temporary rent reduction in the future due to impact from the COVID-19.
- The NOI yield of the Property is 4.0%, which is 0.6% higher than its appraisal cap rate of 3.4%.

Tenant substitutability

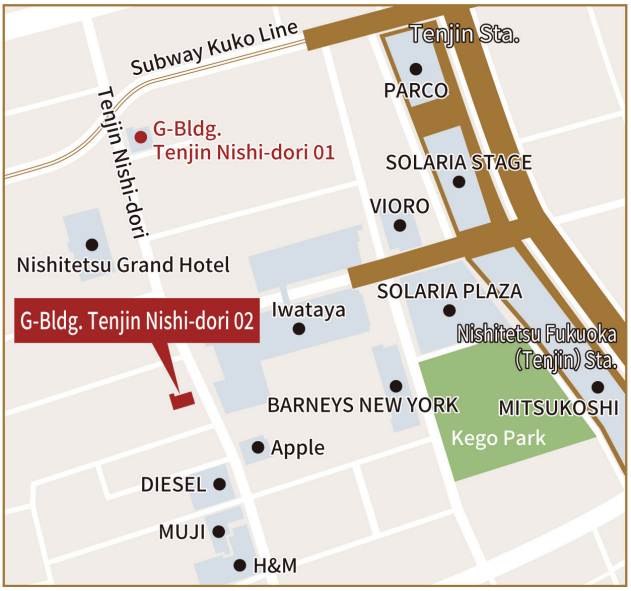
- Due to the heavy pedestrian traffic and its feature of having a broad façade facing Tenjin Nishi-dori, the facility is expected to attract rent demand from a variety of tenants, not only retail stores but also showroom and service facility tenants.
- As the actual use floor area ratio (244.6%) of the Property is substantially lower than its designated floor area ratio (480.9%), the property has room for improvement of value through rebuilding into a mixed use property in the future.

■ Property photo / Property Location Map

Property photo



Map



3. Property Summary

Property name (Property Number)		G-Bldg. Tenjin Nishi-dori 02 (U-63)			
Type of asset		Trust beneficiary right in real estate			
Trustee		Mitsubishi UFJ Trust and Banking Corporation			
Trust period		August 31, 2020 – August 31, 2030 (Scheduled)			
Location		12-64, Daimyo 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka			
Land	Land area	595.52 ㎡	Zoning	Commercial district	
	FAR / building-to-land ratio	400% ・ 500%／80%	Type of possession	Ownership	
Building	Structure / stories	4 stories above ground, steel frame with flat roof			
	Total floor area	1,445.02 ㎡	Type	Retail	
	Completion date	November 30, 2005	Type of possession	Ownership	
	Design	TODA CORPORATION			
	Construction	TODA CORPORATION			
	Constructional Inspector	JAPAN ERI CO., LTD.			
	PML	0.9 % (Based on the earthquake risk assessment (details) report dated July 2020 jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation)			
Acquisition price		5,000 million yen			
Appraisal value		5,480 million yen (as of August 1, 2020)			
Appraiser		Japan Real Estate Institute			
Tenant summary	Number of tenants (main tenants)	1 (ZARA)			
	Annual rent	Not disclosed(Note)			
	Tenant leasehold / security deposit	Not disclosed(Note)			
	Total leased area	1,496.56 ㎡	Occupancy rate (based on leased area)	100%	
	Total leasable area	1,496.56 ㎡			
	Main tenants – Period of contract	Not disclosed(Note)			
	Main tenants – Type of contract	Not disclosed(Note)			
	Main tenants – Revision of rent	Not disclosed(Note)			
	Main tenants – Early termination	Not disclosed(Note)			
Collateral conditions		None			
Special notes		・The subject land is within the perimeters of “Fukuoka Castle Ruins”, which are designated buried cultural property sites under the Act on Protection of Cultural Properties. Any engineering work on this land requires notice at least 60 days prior to the start of such engineering work and may require excavation.			

・Figures 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” and “Total floor area” are 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.
・“Number of tenants” represents the total number of lease contracts as of the end of July 2020.
・“Total leased area” and “Total leasable area” represent the total sums and areas in the lease contracts, etc. as of the end of July 2020.
(Note) Not disclosed as the tenant has not agreed to the disclosure.

4. Profile of the Seller

The seller is a domestic Tokutei Mokuteki Kaisha 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 the seller. In addition, the seller does not fall under the category of a related party of JRF/the Asset Manager.

5. Ownership History of the Building to Be Acquired

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

6. Matters Concerning Forward Commitment

None

7. Means of Payment

Full payment at closing

8. Planned Acquisition Schedule

Decision-making date	August 26, 2020
Purchase agreement signing date	August 31, 2020 (Scheduled)
Payment date	August 31, 2020 (Scheduled)
Acquisition date	August 31, 2020 (Scheduled)

9. Future Outlook

There will be minimal impact on our operating results for the August 2020 fiscal period (from March 1, 2020 to August 31, 2020) and February 2021 fiscal period (from September 1, 2020 to February 28, 2021); thus, we have made no revision to our forecasts.

10. Appraisal Report Summary

Property name	G-Bldg. Tenjin Nishi-dori 02
Appraiser	Japan Real Estate Institute
Appraisal value	5,480 million yen
Appraisal date	August 1, 2020

Item	Value	Notes
Indicated value by income approach	5,480 million yen	
DC method	5,590 million yen	
Operating income	224 million yen	
Effective gross income	224 million yen	
Losses from vacancy, etc.	0 yen	
Operational cost	31 million yen	
Maintenance and management fee	0 million yen	
Utility cost	0 yen	
Repair expenses	1 million yen	
Property manager fee	Not disclosed	As the disclosure of this item may negatively affect JRF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and have included it under "Other expenses" instead.
Leasing cost	0 yen	
Property tax	28 million yen	
Insurance premium	Not disclosed	As the disclosure of this item may negatively affect JRF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and have included it under "Other expenses" instead.
Other expenses	0 million yen	
Net operating income	192 million yen	
Operating profit on lump-sum payments	0 yen	
Capital expenditure	3 million yen	
Net cash flow	189 million yen	
Capitalization rate	3.4 %	
DCF method	5,360 million yen	
Discount rate	3.2 %	
Terminal capitalization rate	3.6 %	
Indicated value by cost approach	5,160 million yen	
Land ratio	96.1 %	
Building ratio	3.9 %	

Other matters of consideration	N/A

[Reference]

Prospective Income and Expenditures for the property

Prospective Income and Expenditures	
NOI (Net Operating Income)	201 million yen
NOI yield	4.0 %
Depreciation	10 million yen
NOI yield after depreciation	3.8 %

- The current NOI is based on the annual income according to the lease contract as of the end of July 2020.
- NOI yield is calculated by dividing NOI by the acquisition price and rounded 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 rounded to the nearest second decimal place.

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