

Japan Retail Fund Investment Corporation to Acquire a Property in Naka-ku, Nagoya

Japan Retail Fund Investment Corporation (“JRF”) announced today that Mitsubishi Corp. - UBS Realty Inc., JRF’s asset manager (the “Asset Manager”), has decided to acquire a real property as outlined below.

1. Summary of disposition

1) Asset to be acquired	Real property
2) Property name	G-Bldg. Nagoya Sakae 01
3) Acquisition price	1,900 million yen
4) Appraisal value	1,990 million yen (value as of December 1, 2014)
5) Contract date	December 26, 2014 (Scheduled)
6) Closing date	December 26, 2014 (Scheduled)
7) Seller	Land: NK Planning Co., Ltd. / Trust One Asset Management Co., Ltd. Building: NK Planning Co., Ltd.
8) Financing	Cash on hand
9) Payment method	Lump sum payment at closing

2. Reason for acquisition

JRF is pursuing a strategy of asset replacement to improve the stability and profitability of the portfolio. The property is to be acquired using the proceeds from the sale of AEON MALL Kobe Kita, which was announced in the news release dated December 1, 2014, “Notice Concerning Disposition of Part of Ownership Interest in AEON MALL Kobe Kita.” For JRF, this is the first acquisition under the category of “urban shopping center” located in Sakae, Nagoya region.

Following points were particularly valued highly upon making decision on the acquisition.

Acquisition Highlight

Urban Retail Property Located in Sakae, Nagoya - One of the Major Shopping Districts in Nagoya Region

Attractiveness of the Market

- Sakae, Nagoya is one of the major shopping districts in Nagoya region, where large-scale retail facilities, international and domestic apparel stores are clustered around Otsu Street with a number of store openings.

Attractiveness of the Location

- Conveniently located in approximately a 3-minute walking distance from Yabacho Station on Subway Meijo Line and an 8-minute walking distance from Sakae Station on Subway Higashiyama Line.
- Great locational potential for a retail facility; facing toward the road north of Nagoya Zero Gate, a retail facility newly opened in October 2014, and likely to have a stream of customers from Otsu Street and Isemachi Street.

Attractiveness of the Facility

- The main tenant of the property (1st to 3rd floor) is a leading American sportswear brand, Under Armour. It is their first store in Nagoya region and 9th store in Japan opened in December 2014 as Under Armour Clubhouse.
- A newly built building (building completion in August 2014), providing a floor space of more than 200 tsubo for a lease of 1st to 3rd floor and allowing a tenant to express its brand image, which is hard-to-find in Sakae, Nagoya region.

Map / Photograph



Property Map



Sakae Map



3. Outline of the property to be acquired

Property name		G-Bldg. Nagoya Sakae 01	
Type of asset		Real property	
Location (address)		27-24, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi	
Land			
Area	272.51 m ²		
Zoning	Commercial district	Type of possession	Ownership
Building			
Structure / stories	3 stories above ground and 1 basement floor , steel-reinforced concrete with flat roof		
Total floor area	902.06 m ²		
FAR / building-to-land ratio	478% / 100%	Type	Retail
Completion date	August 29, 2014	Type of possession	Ownership
Design	Tsuiki Architectural Design Office		
Construction	Yamagishi Company		
Constructional inspector	SGS Japan Inc.		
PML	5.5% (Based on the earthquake risk analysis report prepared jointly by Engineering & Risk Services Corporation and OYO RMS Corporation)		
Acquisition price	1,900 million yen		
Appraisal value	1,990 million yen (as of December 1, 2014)		
Appraiser	CBRE K.K.		
Tenant summary			
Number of tenant(s)	2 (Under Armour and Hakata Hanamidori)		
Annual rent	93 million yen		
Tenant leasehold /security deposit	90 million yen		
Total leased area	927.09 m ²	Occupancy rate (based on leased area)	100.0%
Total leasable area	927.09 m ²		
Major tenant			
Period of contract	Not disclosed as the tenant has 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 hundred 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.
- Descriptions of "land area," "structure/stories," "total floor area" and "completion date" are all 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 and common area fees 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.

3. Profile of the seller

Land and Building:

1) Name	NK Planning Co., Ltd.
2) Location	34-20, Meieki 2-chome, Nishi-ku, Nagoya-shi, Aichi, Japan
3) Title & name of representative	Masakatsu Nakamura, President & CEO
4) Line of business	1. Distribution, export and import of textile products for men's, women's and children's apparel; jewelry; precious metal; personal adornments and accessories; interior decoration; ornamental goods; furniture; clothing ornaments; daily goods; clock; shoes; bag and leather products 2. Restaurant business 3. Planning, production, hosting and administrative operation of various events 4. Designing, planning and construction of, and consulting in, interior / exterior space decoration 5. Management consulting 6. Acquisition, brokerage, agency service, leasing and management of real estate 7. Designing, construction, sale, management and maintenance of solar power system and its equipment 8. Generation and sale of electricity generated by solar power system 9. Any other auxiliary and/or related businesses to the items described above
5) Capital	1,000,000 yen
6) Date established	December 19, 2007

7)	Net assets	Not disclosed as the tenant has not agreed to the disclosure of information.
8)	Total assets	
9)	Major shareholder and shareholding ratio	
10)	Relationship with JRF / the Asset Management Company	
	Capital relationship Personal relationship Trade relationship	There are no noteworthy capital, personal or business relationships between JRF/the Asset Management Company and the seller. Also, there are no noteworthy capital, personal or business relationships between interested parties and affiliated companies of JRF / the Asset Management Company and those of the seller.
	Related parties	The seller does not fall under the category of a related party of JRF/the Asset Management Company. Also, none of the related parties and affiliated companies of this company fall under the category of the related parties of the Asset Management Company.

Land:

1)	Name	Trust One Asset Management Co., Ltd.
2)	Location	6-2, Karayamachou 3-chome, Chikusa-ku, Nagoya-shi, Aichi, Japan
3)	Title & name of representative	Masakatsu Nakamura, President & CEO
4)	Line of business	1. Store design planning, designing and construction 2. Realty business 3. Land and building consulting business 4. Civil engineering and construction business 5. Leasing of goods 6. Building cleaning, maintenance and agency business 7. Management consulting 8. Non-life insurance agency business 9. Real estate leasing, management, holding and operation 10. Purchase, sale and consignment sale of secondhand goods 11. Sale and repair of new and used cars 12. Agency service related to periodic inspection and repair of cars 13. Any other auxiliary and/or related businesses to the items described above
5)	Capital	10,000,000 yen
6)	Date established	October 16, 2008
7)	Net assets	Not disclosed as the tenant has not agreed to the disclosure of information.
8)	Total assets	
9)	Major shareholder and shareholding ratio	
10) Relationship with JRF / the Asset Management Company		
	Capital relationship Personal relationship Trade relationship	There are no noteworthy capital, personal or business relationships between JRF/the Asset Management Company and the seller. Also, there are no noteworthy capital, personal or business relationships between interested parties and affiliated companies of JRF / the Asset Management Company and those of the seller.
	Related parties	The seller does not fall under the category of a related party of JRF/the Asset Management Company. Also, none of the related parties and affiliated companies of this company fall under the category of the related parties of the Asset Management Company.

5. Ownership history of the property to be acquired

The real property is not acquired from the seller which falls under the category of a related party of JRF/the Asset Management Company.

6. Brokerage profile

(1) Broker profile

1)	Name	Touchstone Capital Management Co., Ltd.
2)	Location	7-1, Akasaka 1-chome, Minato-ku, Tokyo, Japan
3)	Title & name of representative	Fred M. Uruma, President & CEO
4)	Line of business	1. Property asset management 2. Investment management business 3. Real estate agency

5)	Capital	250.4 million yen (as of December 25, 2014)
6)	Date established	June 27, 2006
7)	Relationship with JRF / the Asset Management Company	
	Capital relationship	There are no noteworthy capital, personal or business relationships between JRF/the Asset Management Company and the company. In addition, there are no noteworthy capital, personal or business relationships between interested parties and affiliated companies of JRF / the Asset Management Company and those of the company.
	Personal relationship	
	Trade relationship	
	Related parties	The company does not fall under the category of a related party of JRF/the Asset Management Company. In addition, none of the related parties and affiliated companies of this company fall under the category of the related parties of the Asset Management Company.

(2) Brokerage fee and other fee amount and breakdown

The broker, Touchstone Capital Management Co., Ltd., has not agreed to disclose the details of the commission.

7. Payment

Full payment at closing.

8. Planned Acquisition Schedule

Decision Making Date	December 25, 2014
Purchase Agreement Signing Date	December 26, 2014 (Scheduled)
Payment Date	December 26, 2014 (Scheduled)
Acquisition Date	December 26, 2014 (Scheduled)

9. Future Outlook

There will be no significant impact on our revenue forecast for the fiscal period ending February 2015 (the 27th period: September 1, 2014 – February 28, 2015). Accordingly, we will not revise forecasts.

10. Appraisal Report Summary

Appraiser	CBRE K.K.
Appraisal Value	1,990 million yen
Value Date	December 1, 2014

Item	Value	Notes
Indicated value by income approach		
DC method	1,940 million yen	
Operating income	92 million yen	
Effective gross income	93 million yen	
Losses from vacancy, etc.	Δ0 million yen	
Operational cost	6 million yen	
Maintenance and management fee	0 million yen	
Utility cost	0 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	3 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	1 million yen	
Net Operating Income	86 million yen	
Operating profit on lump-sum payments	1 million yen	
Capital expenditure	0 million yen	
Net cash flow	87 million yen	
Capitalization rate	4.50%	
DCF method	1,990 million yen	
Discount rate	4.00%	
Terminal capitalization rate	4.50%	
Indicated value by cost approach	1,590 million yen	
Land ratio	83.0%	N/A

Building ratio	17.0%	N/A
Other matters of consideration	N/A	

[Reference]

Prospective Income and Expenditures for the Property

NOI (Net Operating Income)	87 million yen
NOI yield	4.6%
Depreciation	10 million yen
NOI yield after depreciation	4.1%

- NOI is based on the annual rent with the property operating at full capacity under the lease agreement valid as of today.
- 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 87 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.

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: Mr. Fuminori Imanishi (Telephone Number: 81-3-5293-7080), Head of Retail Division at Mitsubishi Corp.-UBS Realty Inc.,

Investor Relations: Telephone Number: 81-3-5293-7081
E-mail: jrf-8953.ir@mc-ubs.com

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