

## **Notice Concerning Acquisition of G-Bldg. Ginza Chuo-dori 01 and G-Bldg.Kichijoji 02**

Mitsubishi Corp. - UBS Realty Inc., the asset manager (the “Asset Manager”) of Japan Retail Fund Investment Corporation (“JRF”), determined today to acquire trust beneficiary rights in real estate, namely G-Bldg. Ginza Chuo-dori 01 (the “Property (Ginza)”) and G-Bldg. Kichijoji 02 (the “Property (Kichijoji)”) (the “Property (Ginza)” and the “Property (Kichijoji)”, hereinafter collectively referred to as the “Property”).

### **I. 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 optimization of the portfolio by acquisition of urban prime properties, based on the funds obtained from the disposition as disclosed in the “Notice Concerning Disposition of Five Properties and Termination of Lease Accompanying Disposition” announced on October 14, 2015.

Acquisition of the Property (Ginza) will mark JRF’s first project to acquire a property facing Ginza Chuo-dori, one of the busiest shopping streets in Tokyo. Meanwhile, acquisition of the Property (Kichijoji) is a project to acquire a property located in front of Kichijoji Station, which is one of the major commercial areas in Tokyo.

This acquisition of the Property (Ginza) is a result of collaboration with Mitsubishi Corporation, our sponsor, and its group company (the “Mitsubishi Corporation Group”). JRF will have a 50% share with another property fund managed by the Mitsubishi Corporation Group, aiming to maintain a balance among location, quality, and income yield in the portfolio.

### **II. Acquisition of G-Bldg. Ginza Chuo-dori 01**

#### **1. Overview of Acquisition**

1) Property type	Trust beneficiary right in real estate (50% co-ownership interest) <sup>(Note 1)</sup>		
2) Property name	G-Bldg. Ginza Chuo-dori 01 <sup>(Note 2)</sup>		
3) Location	6-16 Ginza 2-chome, Chuo-ku, Tokyo, Japan		
4) Acquisition price <sup>(Note 2)</sup>	13,000 million yen	(27.5% co-ownership interest) 7,150 million yen	(22.5% co-ownership interest) 5,850 million yen
5) Acquisition date <sup>(Note 2)</sup>		March 1, 2016 (planned)	Expected acquisition date is April 28, 2016 or any other date between April 28, 2016 and the end of May 2016, in which the seller and JRF agree in writing.
6) Appraisal value	13,300 million yen (as of January 15, 2016)		
7) Contract completion date	February 25, 2016 (scheduled)		
8) Seller	Ginza 26 TMK		
9) Acquisition funds	Cash on hand and debt (scheduled)		
10) Payment	Full payment at closing		

(Note 1) The remaining 50% co-ownership interest in the trust beneficiary right is scheduled to be sold to another property fund managed by a group company of Mitsubishi Corporation, the parent company of the Asset Manager.

(Note 2) The Property name indicated in this notice is the administrative name which JRF plans to use after the completion of acquisition of the Property. As of today, the name of the Property is Zegna Ginza Building.



■ Map and Photos





### 3. Overview of the Property (Ginza)

Overview of the Property (Ginza)			
Property name	G-Bldg. Ginza Chuo-dori 01		
Type of asset	Trust beneficiary right in real estate (50% co-ownership interest)		
Location (address)	6-16 Ginza 2-chome, Chuo-ku, Tokyo, Japan		
Land			
Area	394.53m <sup>2</sup>		
Zoning	Commercial district	Type of possession	Ownership
Building			
Structure/stories	13 stories above ground and 1 basement floor, S-structure building with flat roof		
Total floor area	4,339.92m <sup>2</sup>		
FAR/building-to-land ratio	800%/100%	Type	Retail/Office
Completion date	May 2014	Type of possession	Ownership
Design	Takenaka Corporation		
Construction	Takenaka Corporation		
Constructional inspector	JAPAN ERI CO.,LTD		
PML	2.3% (Based on the earthquake risk analysis report jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation.)		
Acquisition price	13,000 million yen		
Appraisal value	13,300 million yen (as of January 15, 2016)		
Appraiser	CBRE K.K.		
Tenant summary			
Number of tenant(s) (main tenant )	9 (Zegna Japan)		
Annual rent	408 million yen		
Tenant leasehold/security deposit	325 million yen		
Total leased area	3,141.07 m <sup>2</sup>	Occupancy rate (based on leased area)	100%
Total leasable area	3,141.07m <sup>2</sup>		
Major tenant			
Period of contract	— (Note)		
Type of contract	Fixed-term building lease contract		
Revision of rent	No revision during this lease contract		
Early termination	Not possible during this lease contract		
Collateral conditions	N/A		
Special notes	<ul style="list-style-type: none"><li>With the acquisition of the Property (Ginza), an agreement is expected to be concluded between the holders of co-ownership interest of the trust beneficiary right in the Property (Ginza). When selling all or part of the co-ownership interest to a third party, the other holder(s) of co-ownership interest shall be given priority for negotiation over others under the agreement. Any decision on important issues related to the management of the Property (Ginza) shall be decided upon by means of consensus of all co-owners.</li><li>We have signed an agreement on trust contract with the trust beneficiary owner (the seller) and the trustee, and the co-owner of the trust beneficiary right will take over the position of the trust beneficiary owner. Under the agreement, when the co-owner decide to sell the Property (Ginza), the co-owner must sell the trust beneficiary right of the land and the building to one assignee at the same time; and when the trust beneficiary owner decide to sell the property, the trust beneficiary owner must sell the Property (Ginza) to one assignee at the same time.</li></ul>		

• 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.

• Figures for "Total leased area" and "Total leasable area" are based on the whole property, and "Annual rent" and "Tenant leasehold/security deposit" are based on 50% of co-ownership interest JRF plans to acquire. "Annual rent" is calculated by taking the total amount of monthly rents, common service expenses, parking lot charges, and signboard charges indicated in lease agreements and other documents expected to be in effect as of the scheduled acquisition date of the property, and multiplying this amount by 12 to obtain the annualized figure.

(Note) Not disclosed as the tenants have not agreed to the disclosure of information.

#### 4. Overview of Seller

1) Name	Ginza 26 TMK
2) Location	Sakura Horwath & Co., 11 Kanda Jinbocho 1-chome, Chiyoda-ku, Tokyo, Japan
3) Title & name of representative	Director: Rika Nakamura
4) Line of business	1. Businesses related to transfer of specified assets in accordance with the asset liquidation plan based on the Law Concerning Liquidation of Assets and management and disposal of such assets 2. Any other auxiliary and/or related businesses to liquidation of the aforementioned specified assets
5) Capital	100,000 yen (as of January 31, 2016)
6) Date established	October 3, 2011
7) Relationship with JRF/the Asset Manager	
Capital relationship Personal relationship Trade relationship	SPC established for the purpose of acquiring, possessing and disposing the real estate trust beneficiary rights in which Mitsubishi Corporation, the parent of the Asset Manager has made TK investment.
Related parties	The company falls under the category of the related parties in the context of Act on Investment Trusts and Investment Corporation. The company falls under the category of the related parties of the Asset Manager in the context of its rules and regulations on business transactions with related parties. The company has outsourced asset management to Diamond Realty Management Inc., a wholly-owned subsidiary of Mitsubishi Corporation, the parent of the Asset Manager.

(Note) This transaction falls under the category of transactions with interested parties, in the context of the Asset Manager's rules and regulations on business transactions with related parties. Therefore, this transaction has been affirmed by the Compliance Office in accordance with the bylaws of the Asset Manager, and also has been approved by the Investment Committee and the Board of Directors of the Asset Manager through discussions/deliberations. Approval of the transaction requires at least 6 out of 8 directors voting in favor at the Board of Directors meeting.

#### Ownership History of Properties to be Acquired

Owner history	Previous owner	Former owner
Name	Ginza 26 TMK	Other than those that have special interest in JRF/the Asset Manager
Relationship with interested parties of JRF/the Asset Manager	SPC in which Mitsubishi Corporation, the parent company of the Asset Manager (51% stake) has made a TK investment	—
Background/reasons for acquisition	For temporary ownership purposes	—
Acquisition price	Not disclosed as the previous owner holds the ownership for more than 1 year as the anticipated sale date	—
Acquisition date	Land: November 16, 2011 Building: November 4, 2014	—

#### 5. Overview of Broker

N/A

#### 6. Matters Concerning Forward Commitment

This acquisition of the 22.5% co-ownership interest comes under “Forward Commitment etc. by Investment Corporations” (Note) as provided in “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators etc.”

JRF plans to pursue the acquisition of the Property (Ginza) using cash on hand and debt. 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	February 24, 2016
Purchase agreement signing date	February 25, 2016 (scheduled)
Payment and Acquisition date (27.5% of Co-ownership interest)	March 1, 2016 (scheduled)
Payment and Acquisition date (22.5% of Co-ownership interest)	April 28, 2016 or the date between April 28, 2016 and the end of May 2016, in which the seller and JRF agree in writing (scheduled)

## 9. Appraisal Report Summary

Appraiser	CBRE K.K.
Appraisal value	13,300 million yen
Value date	January 15, 2016

Item	Value	Notes
Indicated value by income approach		
DC method	13,200 million yen	
Operating income	813 million yen	
Effective gross income	847 million yen	
Loss from vacancy, etc.	34 million yen	
Operational cost	111 million yen	
Maintenance and management fee	10 million yen	
Utility cost	26 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 to include it under "other expenses."
Leasing cost	5 million yen	
Property tax	55 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 to include it under "other expenses."
Other expenses	10 million yen	
Net operating income	701 million yen	
Operating profit from lump-sum payments	12 million yen	
Capital expenditure	4 million yen	
Net income	709 million yen	
Capitalization rate	2.7%	
DCF method	13,300 million yen	
Discount rate	2.5%	
Terminal capitalization rate	2.7%	
Indicated value by cost approach	10,700 million yen	
Land ratio	94.0%	
Building ratio	6.0%	
Other matters of consideration	N/A	

## 【Reference】

### Prospective income and expenditures for the Property (Ginza)

Prospective income & expenditures	
NOI (Net Operating Income)	364 million yen
NOI yield	2.8 %
Depreciation	34 million yen
NOI yield after depreciation	2.5 %

- NOI based on the annual income according to the lease contract.
- 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.

### III. For the acquisition of G-Bldg. Kichijoji 02

#### 1. Overview of Acquisition

1) Property type	Trust beneficiary right in real estate
2) Property name	G-Bldg. Kichijoji 02 <sup>(Note 1)</sup>
3) Location	3-13, Kichijoji Minamicho 2-chome, Musashino-shi, Tokyo, Japan
4) Acquisition price	15,300 million yen
5) Appraisal value	15,800 million yen (as of February 19, 2016)
6) Contract completion date	February 24, 2016
7) Acquisition date	February 29, 2016 (scheduled)
8) Seller	KTMO, Limited.
9) Acquisition funds	Cash on hand and Debt (scheduled) <sup>(Note 2)</sup>
10) Payment	Full payment at closing

(Note1) The Property name indicated in this notice is the administrative name which JRF plans to use after the completion of acquisition of the Property. As of today, the name of the Property is Kichijoji Place.

(Note2) After acquired this property (Kichijoji) by cash on hand, JRF will obtain the new debt financing in order to allocate to the cash on hand. Details of this new debt financing will be announced once it is determined.

#### 2. Highlight of this acquisition

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

#### Highlight of acquisition

**Acquisition of a large-scale commercial property located in front of Kichijoji Station, which is a major shopping area in Tokyo**

#### Attractiveness of market

- The population of Musashino City is growing, and income levels of the city are above general income levels in Tokyo
- The average number of passengers per day of Kichijoji Station on the JR Chuo Line and Keio Inokashira Line is about 420,000 (Source: Data in 2014 based on the website of TRAIN-MEDIA.NET)
- Musashino City has a favorable market volume with a high resident density, centering on the primary trade area.
- There are many large-scale commercial facilities, roadside stores of popular brands and variety stores, and restaurants located around Kichijoji Station

#### Attractiveness of location

- The property is located at the south side of Kichijoji Station within a three-minute walk from JR Kichijoji Station and a one-minute walk from Keio Inokashira Line Kichijoji Station, making the property highly accessible and conveniently located with high foot traffic. Kichijoji is a rare area with high demand for opening stores
- In the neighborhood, there are facilities of a wide-ranging business categories, such as LIFE, a food supermarket, movie theaters, and fitness gyms, to serve daily needs and the convenience of customers

#### Attractiveness of facility

- Located at the corner of Kichijoji O-Dori, which connects the south and north sides of Kichijoji Station, and characterized by a large façade, which gives the Property (Kichijoji) good visibility.
- The Property (Kichijoji) is a relatively new property completed in September 2014. It is a rare large-scale property with the entire building available for single-tenant lease. The Property (Kichijoji) is a versatile property, which can attract tenants in a wide variety of business categories, such as merchandising and services.
- A large-scale electronic retail store is leasing the Property (Kichijoji) as its urban-type store since the completion of the Property (Kichijoji).

**■ Property Photo**

**■ Map**

**3. Overview of the Property (Kichijoji)**

Property name		G-Bldg. Kichijoji 02		
Type of asset		Trust beneficiary right in real estate		
Location (address)		3-13, Kichijoji Minamicho 2-chome, Musashino-shi, Tokyo, Japan		
Land				
Area		1,254.44m <sup>2</sup>		
Zoning		Commercial district	Type of possession	Ownership
Building				
Structure/stories		9 stories above ground and 2 basement floor, SRC structure building with flat roof		
Total floor area		8,534.71m <sup>2</sup>		
FAR/building-to-land ratio		600%/80%	Type	Retail/parking
Completion date		September 2014	Type of possession	Ownership
Design		Fujita Corporation		
Construction		Fujita Corporation		
Constructional inspector		Good-eyes Co., Ltd.		
PML		2.7% (Based on the earthquake risk analysis report jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation.)		
Acquisition price		15,300 million yen		
Appraisal value		15,800 million yen (as of February 19, 2016)		
Appraiser		DAIWA REALESTATE APPRAISAL CO.,LTD		
Tenant summary				
Number of tenant(s) (Note)		1		
Annual rent		— (Note)		
Tenant leasehold/security deposit		— (Note)		
Total leased area		8,838.79 m <sup>2</sup>	Occupancy rate (based on leased area)	100%
Total leasable area		8,838.79 m <sup>2</sup>		



	Major tenant	
	Period of contract	— (Note)
	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.

(Note) Not disclosed as the tenants have not agreed to the disclosure of information.

#### 4. Overview of Seller

1)	Name	KTMO, Limited.
2)	Location	Nihonbashi 1-chome Building, 4-1 Nihonbashi 1-chome, Chuo-ku, Tokyo, Japan
3)	Title & name of representative	Director: Akira Sugai
4)	Line of business	1. Acquisition, possession and disposal of real estate trust beneficiary rights based on the trust contract 2. Acquisition, possession, disposal, lease and management of real estate properties 3. Any other auxiliary and/or related businesses to the items described above
5)	Capital	3 million yen (as of October 26, 2015)
6)	Date established	March 15, 2006
7)	Relationship with JRF/the Asset Manager	
	Capital relationship Personal relationship Trade relationship	There are no capital, personal or business relationships to note 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/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 the Asset Manager.

#### 5. Overview of Broker

N/A

#### 6. Payment

Full payment at closing

#### 7. Acquisition schedule

Decision-making date / Purchase agreement signing date	February 24, 2016
Payment and Acquisition date	February 29, 2016 (scheduled)

#### 8. Appraisal Report Summary

Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Appraisal value	15,800 million yen
Value date	February 19, 2016

Item	Value	Notes
Indicated value by income approach		
DC method	16,100 million yen	
Operating income	672 million yen	
Effective gross income	672 million yen	
Loss from vacancy, etc.	0 million yen	
Operational cost	38 million yen	
Maintenance and management fee	0 million yen	At tenant's expense.
Utility cost	0 million yen	At tenant's expense.
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 to include it under "other expenses."
			Leasing cost	0 million yen	
			Property tax	32 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 to include it under "other expenses."
			Other expenses	4 million yen	
			Net operating income	633 million yen	
			Operating profit from lump-sum payments	13 million yen	
			Capital expenditure	3 million yen	
			Net income	643 million yen	
			Capitalization rate	4.0%	
			DCF method	15,600 million yen	
			Discount rate	3.8%	
			Terminal capitalization rate	4.2%	
			Indicated value by cost approach	13,800 million yen	
	Land ratio	89.0%			
	Building ratio	11.0%			
Other matters of consideration				N/A	

#### 【Reference】

##### Prospective income and expenditures for the Property (Kichijoji)

Prospective income & expenditures	
NOI (Net Operating Income)	631 million yen
NOI yield	4.1%
Depreciation	70 million yen
NOI yield after depreciation	3.7 %

- NOI based on the annual income according to the lease contract.
- 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.

#### IV. 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, the forecasts will remain unchanged.

**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.*