

October 11, 2017

To all concerned parties:

Investment Corporation

**Japan Retail Fund Investment Corporation**

(Tokyo Stock Exchange Company Code: 8953)

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Asset Management Company

**Mitsubishi Corp.-UBS Realty Inc.**

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Notice Concerning Acquisition of a Trust Beneficiary Right in the Real Estate in Japan  
(Round1 Sannomiya Station)

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 right in the real estate of Round1 Sannomiya Station (the “Property”) as outlined below.

1. Overview of acquisition

1) Property type	Trust beneficiary right in real estate
2) Property name	Round1 Sannomiya Station
3) Location	1-17 Onoe-dori 6-chome, Chuo-ku, Kobe-shi, Hyogo
4) Acquisition price (scheduled)	3,200 million yen
5) Appraisal value	3,300 million yen (as of September 1, 2017)
6) Contract completion date (scheduled)	October 13, 2017
7) Acquisition date (scheduled)	November 30, 2017
8) Seller	Hulic Co., Ltd.
9) Acquisition funds (scheduled)	Cash on hand
10) Payment	Full payment at closing

## 2. Reasons for Acquisition

JRF will acquire the Property for the purpose of further diversifying portfolio assets, increasing the stability and the profitability of its portfolio as well as increasing the proportion of urban-type retail properties in its portfolio.

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

### **Highlight of acquisition**

**An urban retail property located in front of Sannomiya Station, a major terminal station in the Kansai region**

#### **Attractiveness of market**

- Sannomiya Station (Kobe-Sannomiya Station) is accessible by a total of seven lines including the JR Tokaido Main Line, Hankyu Line, Hanshin Line, Kobe Rapid Transit Railway Tozai Line and Kobe City Subway Seishin-Yamate Line. It is a major terminal station in the Kansai region that 693,000 passengers pass through each day.
- Both the residential and daytime populations have a high volume, and it can be anticipated that both shoppers and tourists will visit this area.
- As there are plans for multiple re-developments around the station, further growth can be expected going forward.

#### **Attractiveness of location**

- Very conveniently located at approximately 3-minute walking distance from Sannomiya Station (Kobe-Sannomiya Station).
- As there are many commercial facilities around the station such as OPA, Mint Kobe, Sogo, Marui and San Plaza, the area is anticipated to have high customer drawing power.

#### **Attractiveness of facility**

- Round1, a complex amusement facility focusing on bowling that also offers amusement, karaoke, billiards and darts, has entered as a flagship Kansai area establishment.
- With excellent sales standards, a long-term, fixed-term building lease contract has been concluded.

■ Photo / Property Location Map

Property Photo



In front of Sannomiya Station



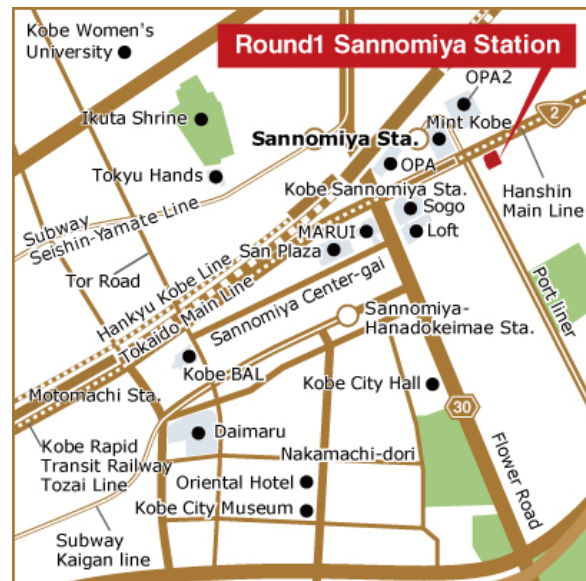
Amusement corner



Wide-area map



Narrow-area map



## 3. Property Summary

Property name (Property Number)			Round1 Sannomiya Station (U-54)		
Type of asset			Trust beneficiary right in real estate		
Trustee			Mitsubishi UFJ Trust and Banking Corporation		
Trust period			March 31, 2003 – November 31, 2027 (Scheduled)		
Location (address)			1-17 Onoe-dori 6-chome, Chuo-ku, Kobe-shi, Hyogo		
Land	Land area		1,191.63 m <sup>2</sup>		
	Zoning		Commercial district	Type of possession	Ownership
Building	Structure / stories		11 stories above ground, steel frame with flat roof		
	Total floor area		10,054.52 m <sup>2</sup>		
	FAR / building-to-land ratio		700% / 80%	Type	Retail
	Completion date		August 1, 2001	Type of possession	Ownership
	Design		OD-net Corporation		
	Construction		Kajima Corporation		
	Constructional Inspector		Kobe City Disaster Prevention Corporation		
PML		2.8% (Based on the earthquake risk analysis report dated October 2017 jointly prepared by Engineering and Risk Services Corporation and OYO RMS Corporation)			
Acquisition price			3,200 million yen		
Appraisal value			3,300 million yen (as of September 1, 2017)		
Appraiser			Tanizawa Sōgō Appraisal Co., Ltd.		
Tenant summary	Number of tenants (main tenants)		1 (Round1)		
	Annual rent		Not disclosed (Note)		
	Tenant leasehold / security deposit		Not disclosed (Note)		
	Total leased area		10,054.52 m <sup>2</sup>	Occupancy rate (based on leased area)	100%
	Total leasable area		10,054.52 m <sup>2</sup>		
	Main tenants	Period of contract		15 years (until January 16, 2029)	
		Type of contract		Fixed-term lease contract	
		Revision of rent		Not disclosed (Note)	
		Early termination		Not disclosed (Note)	
Collateral conditions			None		
Special notes			With respect to the defects of the building pointed out in the engineering report regarding the Property, the seller agrees to cure all of such defects, at the responsibility and expense of the seller by the time of the acquisition of the Property by JRF.		

• Figures 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.

• "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.

• "Number of tenants" represents the total number of lease contracts as of today.

• "Total leased area" and "Total leasable area" represent the total sums and areas in the lease contracts, etc. as of today.

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

## 4. Profile of the Seller

1) Name	Hulic Co., Ltd.
2) Location	7-3 Nihonbashi Odenmacho, Chuo-ku, Tokyo
3) Name and job title of the representative	Manabu Yoshidome, President, Representative Director
4) Business	Real estate holding, leasing, sales and brokerage
5) Capital	62,718 million yen (as of June, 2017)
6) Date established	March, 1957
7) Net assets	358,984 million yen (as of June, 2017)
8) Total assets	1,327,841 million yen (as of June, 2017)
9) Major shareholder (shareholding ratio)	Meiji Yasuda Life Insurance Company (7.18%) Sampo Japan Nipponkoa Insurance Inc. (6.83%)
10) Relationship with JRF / the Asset Manager	
Capital relationship	There is no capital, personal or trade relationships that need to be addressed between JRF/the Asset Manager and the seller.
Personal relationship	
Trade relationship	
Related parties	The seller does not fall under the category of a related party of JRF or 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 a related party of JRF and the Asset Manager.

## 6. Broker

None

## 7. Matters Concerning Forward Commitment

Under the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators", the acquisition of the Property is considered to be a "forward commitment, etc. by an investment corporation".

JRF plans to acquire the Property using cash on hand and believes that the possibility of not being able to carry out the forward commitment is extremely low. However, in the event that JRF cannot meet its forward commitment, 20% of the expected purchase price shall be paid as a penalty for breach of contract.

(Note) Forward commitment 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."

8. Means of Payment  
Full payment at closing

9. Planned Acquisition Schedule

Decision-making date	October 11, 2017
Purchase agreement signing date	October 13, 2017 (Scheduled)
Payment date	November 30, 2017 (Scheduled)
Acquisition date	November 30, 2017 (Scheduled)

10. Future Outlook

The acquisition of the Property will have no impact on our forecasts for the fiscal period ended August 2017 (the 31st period: March 1, 2017 – August 31, 2017). There will be minimal impact on the fiscal period ending February 2018 (the 32nd period: September 1, 2017 – February 28, 2018). As a result, the forecasts will not be revised.



## 11. Appraisal Report Summary

Property name	Round1 Sannomiya Station
Appraiser	Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal value	3,300 million yen
Appraisal date	September 1, 2017

Item	Value	Notes
Indicated value by income approach	3,300 million yen	
DC method	3,370 million yen	
Operating income	Not disclosed	As the disclosure of this item may negatively affect JRF's competitiveness and business to the detriment of its unitholders, we have decided not to disclose this information here.
Effective gross income	Not disclosed	
Losses from vacancy, etc.	Not disclosed	
Operational cost	Not disclosed	
Maintenance and management fee	0 yen	
Utility cost	0 yen	
Repair expenses	0 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, we have decided not to disclose this information here, and have included it under "Other expenses" instead.
Leasing cost	0 million yen	
Property tax	19 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, we have decided not to disclose this information here, and have included it under "Other expenses" instead.
Other expenses	0 million yen	
Net operating income	132 million yen	
Operating profit on lump-sum payments	0 million yen	
Capital expenditure	1 million yen	
Net cash flow	131 million yen	
Capitalization rate	3.9%	
DCF method	3,270 million yen	
Discount rate	3.7% (1st to 4th years); 3.9% (from the 5th year onward)	
Terminal capitalization rate	4.1%	
Indicated value by cost approach	4,020 million yen	
Land ratio	90.1%	
Building ratio	9.9%	

Other matters of consideration	N/A
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[Reference]

Prospective Income and Expenditures for the Property

Prospective Income and Expenditures	
NOI (Net Operating Income)	132 million yen
NOI yield	4.1 %
Depreciation	14 million yen
NOI yield after depreciation	3.7%

- NOI is based on the annual income according to the lease contract as of today.
- 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.