

November 15, 2021

For Immediate Release

Investment Corporation

Japan Real Estate Investment Corporation
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Asset Management Company

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Announcement of Acquisition of Trust Beneficiary Interest in Domestic Real Estate and Disposition of Domestic Real Estate

Japan Real Estate Investment Corporation (“JRE”) hereby announces that Japan Real Estate Asset Management Co., Ltd. (“JRE-AM”), the asset management company to which JRE entrusts asset investment, decided today to acquire trust beneficiary interest in domestic real estate and dispose of domestic real estate (the “Acquisition” and the “Disposition” respectively; the “Transaction” collectively) as described below.

«Property to be acquired»

Property name	Location	Acquisition price (planned)	Contract date	Transfer date (scheduled)
Otemachi Financial City North Tower (additional acquisition)	Chiyoda-ku, Tokyo	JPY 6,380 million	November 15, 2021	November 30, 2021

«Property to be disposed of»

Property name	Location	Disposition price (planned)	Contract date	Transfer date (scheduled)
Nagoya Misono Building	Nagoya-shi Aichi	JPY 2,629 million	November 15, 2021	March 1, 2022

«Purpose of the Transaction»

In recent years, the roles and functions required of office buildings have been changing against the backdrop of such factors as progress in information technology, growing environmental awareness and diversification of working styles. With an eye on changes in the business environment under these new trends, JRE has established a policy to strategically replace its portfolio properties from a proactive perspective, focusing on the medium- to long-term competitiveness of its portfolio.

The Transaction is part of this replacement strategy. The Acquisition was determined upon comprehensive assessment which indicated that the addition of the property would contribute to enhancing the medium- to long-term competitiveness of the portfolio. Meanwhile, the Disposition was determined through qualitative and quantitative assessment in view of profitability and asset value.

«Property to be acquired: Otemachi Financial City North Tower (additional acquisition)»

1. Outline of the Acquisition

Name of property	Otemachi Financial City North Tower (ratio of ownership interest: 1.42%)
Acquisition price (planned)	JPY 6,380 million
Seller	Sankei Building Co., Ltd. (see item 4 below)
Brokerage	Yes (party other than an interested party)
Date of decision	November 15, 2021
Date of contract	November 15, 2021
Date of transfer (scheduled)	November 30, 2021
Date of payment (scheduled)	November 30, 2021

(Note) The ratio of ownership interest under “Name of property” indicates the ratio of co-ownership interest in the entirety of Otemachi Financial City (including South Tower). Through this additional acquisition, JRE’s total percentage of ownership interest will be 4.80%.

2. Reason for the Acquisition

The property was built as part of the Otemachi 1-chome, District 2, Type I Urban Redevelopment Project, the second phase of the Chain Urban Renaissance Project in Otemachi, and comprises Otemachi Financial City together with the South Tower built in unison with the property.

In particular, the following points were highly evaluated with regard to the Acquisition.

(1) Building and Facilities

Completed in 2012, the property is a relatively new large-scale complex consisting of offices and shops, etc. The office spaces are equipped with approximately 2,300 m² of rectangular and column-free floor plate where a variety of layouts according to various business needs can be accommodated. Also, “St. Luke’s MediLocus,” an annex of St. Luke’s International Hospital established on the lower floors of the South Tower, contributes to not only convenience for workers but also local disaster prevention in providing early aid and such for the surrounding area in times of emergency.

In terms of the environment, the property mitigates the impacts of Tokyo’s urban heat island with greenery both onsite and offsite, adoption of water-retentive coating, etc. and is contributing to reducing environmental load such as through the introduction of high-efficiency facilities and equipment.

(2) Location

The property is connected via underground passage to Otemachi Station through which five subway lines pass and thus transportation access is excellent.

Moreover, there are advantages from a business standpoint as the property is located in Otemachi, an international financial center, and the above urban renaissance project is expected to further increase the area’s value.

3. Description of the Property to Be Acquired

Name of property	Otemachi Financial City North Tower (ownership interest ratio: 1.42%)
Type of specified assets	Trust beneficiary interest in domestic real estate
Type of ownership	
Land	Trust beneficiary interest pertaining to 12.5% co-ownership interest in right of site below: <ul style="list-style-type: none"> • Land on which the right of site is established: 15 lots of land (the former land plots before replotting under the land readjustment project) • Ratio of right of site: 1-5-1 Otemachi, Chiyoda-ku, Tokyo and 13 other lots (provisional replotted land: 2A District 2-1): 10,004,230/100,000,000 1-5-2 Otemachi, Chiyoda-ku, Tokyo (provisional replotted land: 2A District 2-2): 10,019,813/100,000,000
Building	Trust beneficiary interest pertaining to 12.5% co-ownership interest in sectional ownership interest below <ul style="list-style-type: none"> • Part of retail spaces (1st underground floor) (237.65 m²) • Data center section (4th through 1st underground floors and 2nd through 4th floors (in registry: 4th through 1st underground floors and 3rd through 5th floors) (6357.25 m²)) (Note) The above areas include portions attached to the building. • Office spaces (23rd through 27th floors (in registry: 24th through 28th floors)) (11,488.95 m²) • Co-ownership interest in portions treated as common areas set forth in the management bylaws for the entirety of Otemachi Financial City *Building ownership share: 1.42%
Trustee	Mitsubishi UFJ Trust and Banking Corporation
Location (Building address)	1-9-5 Otemachi, Chiyoda-ku, Tokyo
Usage	Offices and shops
Area	
Land	14,108.16 m ² (area for provisional replotted land)
Building	239,769.07 m ² (the gross floor area stated in the real property registry)
Structure	S/SRC structure with flat roof, 35 stories above the ground and 4 basement levels
Typical floor area	2,369 m ²
Completion	October 2012
Matters related to earthquake resistance	PML: 1.1% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)
Mortgage	No
Appraisal value (Date of value)	JPY 7,070 million (As of November 1, 2021)
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.

Outline of lease			
	Total number of tenants	10	
	Total rent revenues	Undisclosed	
	Security deposit	Undisclosed	
	Total leased area	2,307 m ²	
	Net rentable area	2,307 m ²	
	Occupancy rate	March 31, 2020	100.0%
		September 30, 2020	100.0%
		March 31, 2021	96.1%
		September 30, 2021	100.0%
		Scheduled date of acquisition	100.0%
Special notes		Matters pertaining to the first option on the transfer of sectional ownership interest in the property are provided for in the co-owners agreement. Note that a right of site pertaining to the sectional ownership interest is established over said land.	

(Note)

- JRE, upon acquisition of the property, will lease the whole space to be acquired to Mitsubishi Estate, which will then sublease it to third parties under a master lease contract of a pass-through type.
- The property is located within the Otemachi Land Readjustment Project Area as part of the Tokyo Urban Planning and Land Readjustment Project. The parcel number and the number of registered lots of land described herein represent the 15 lots based on the former land plots on which the right of site is established. Regarding land area, the total designated areas of the following provisional replotted land plots are described.
 - ① 2A District 2-1: 13,763.00 m²
 - ② 2A District 2-2: 345.16 m²
- “Area (Building)”, “Structure”, and “Completion” show the same entries stated in the real property registry. “Usage”, however, indicates the main entries, among those listed in the real property registry.
- The number of floors above ground in “Structure” refers to the same entry stated in the real property registry, in which Otemachi Financial City North Tower and South Tower are collectively registered. Otemachi Financial City North Tower has 31 stories above ground (30 stories indicated in the building).
- “Total number of tenants”, “Total leased area” and “Net rentable area” are forecasts as of the scheduled acquisition date.
- Figures in “Outline of lease” are based on the data provided by the seller and are calculated only for JRE’s interest to be acquired. However, “Total number of tenants” indicates the total number of tenants in the entire sectional ownership block to be acquired.
- “Total rent revenues” and “Security deposit” are undisclosed as the consent of co-owners, etc. has not been obtained.
- JRE’s interest includes the co-ownership interest of the portions treated as common elements pursuant to the management bylaws.
- NOI (Net Operating Income): JPY 173 million per year (an estimated amount)
- Depreciation: JPY 44 million per year (an estimated amount)

4. Outline of the Seller

Corporate name	Sankei Building Co., Ltd.
Location	1-7-2 Otemachi, Chiyoda-ku, Tokyo
Representative	Kazunobu Iijima, President & CEO
Principal business	Real estate business
Paid-in capital	JPY 28,120 million (as of Mar. 31, 2021)
Date of establishment	June 11, 1951
Net assets	(Consolidated): JPY 105,414 million (as of Mar. 31, 2021)
Total assets	(Consolidated): JPY 442,571 million (as of Mar. 31, 2021)
Major shareholders and their shareholding percentages (as of Mar. 31, 2021)	Fuji Media Holdings, Inc.: 100%
Relationship with JRE or JRE-AM	
Capital relationship	None
Personnel relationships	None
Business relationship	None
Applicability to related parties	No

5. Status of Owners, Etc. of the Property

The property to be acquired is not an acquisition from a party having a special interest with JRE or JRE-AM.

6. Settlement Method, Etc.

(1) Acquisition funds

Loan and cash on hand

(Note) A loan for the Acquisition will be announced when determined.

(2) Settlement method

Lump-sum payment at the time of transfer

7. Summary of Appraisal Report

Property name	Otemachi Financial City North Tower
Appraisal value	JPY 7,070 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd
Date of value	November 1, 2021

Item	Amount	Description
Value indicated by the income approach	7,070,000	Indicated by the income approach, placing more weight on the DCF method that incorporates fluctuations of the future net cash flow, while employing the direct capitalization method for verification
Value indicated by the direct capitalization method	7,240,000	
(1) Operating income [①-②]	270,290	
① Potential rental income	282,296	Estimated considering new rent levels of comparable properties and the medium to long term competitiveness of the subject property
② Vacancy loss	12,005	Recorded based on average vacancy rates of comparable properties, considering the competitiveness of the subject property
(2) Operating expenses	74,613	

	Maintenance and management fee	32,871 (note)	Estimated based on expenses incurred in previous years for the maintenance and management fee, and the current contract for property management fee
	Property management fee		
	Utilities expenses	0	Not recorded because utilities expenses are expensed from maintenance fees to the co-owner's management association
	Repair expenses	2,921	Estimated according to the average annual expenses stated in the engineering report
	Leasing cost	1,900	Recorded referring to leasing costs of comparable properties
	Property tax and city planning tax	36,881	Estimated on the basis of the taxes levied for fiscal year 2021
	Insurance Premium	37	Recorded based on the estimated amount
	Other expenses	0	No expense applicable to the said item
	(3) Net operating income [(1)-(2)]	195,677	
	(4) Operating profit on lump-sum payments	2,437	Estimated under the assumption of an interest rate of 1.0%
	(5) Capital expenditures	2,722	Estimated referring to the average annual repair/renewal expenses stated in the engineering report
	(6) Net cash flow [(3)+(4) - (5)]	195,392	
	(7) Capitalization rate	2.7%	Estimated in reference to the market capitalization rates of comparable properties
	Value indicated by the DCF method	6,990,000	
	Discount rate	2.4%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.
	Terminal capitalization rate	2.8%	Estimated on the basis of the capitalization rate, while taking into account the marketability of the subject property at the end of the holding period
	Value indicated by the cost approach	6,560,000	
	Land ratio	83.8%	
	Building ratio	16.2%	

* In thousands of yen (amounts are rounded down to the nearest thousand yen)

Any special considerations in the reconciliation between indicated values and determination of the final appraisal value	Nothing in particular
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Note: No consent has been obtained from the property management company to disclose the property management fee as a separate item. Moreover, if the property management fee for the subject property is disclosed separately, it might potentially affect other deals done by the property management company, which could negatively affect JRE in efficiently delegating property management services under its policy on the maintenance and management of target investment properties. This could in turn undermine the interests of its unitholders. Accordingly, the maintenance and management fee and the property management fee are shown by the combined amount.

«Property to be disposed of: Nagoya Misono Building»

1. Outline of the Disposition

Property name	Nagoya Misono Building
Disposition price (planned)	JPY 2,629 million
Estimated book value	JPY 1,293 million
Estimated gain on disposition	JPY 1,308 million
Buyer	Undisclosed (see item 4 below)
Brokerage	No
Decision date	November 15, 2021
Contract date	November 15, 2021
Transfer date (scheduled)	March 1, 2022
Payment date (scheduled)	March 1, 2022
(Notes)	<ul style="list-style-type: none">• The disposition price does not include disposition expenses, property tax and city planning tax adjustments and consumption taxes.• The estimated book value is the book value estimated as of today, calculated by JRE-AM on the basis of capital expenditures planned to be incurred by and depreciation estimated as of the transfer date.• The estimated gain on disposition is the estimated amount as of today derived by subtracting the estimated book value and disposition expenses (partially undetermined) from the disposition price.

2. Reason for the Disposition

While the property has maintained a high occupancy rate, the trends in supply and demand for office spaces in the Fushimi area where the property is located need to be watched closely going forward. Moreover, the property, which is nearly 30 years old, is expected to see increased repair and renewal expenses, and due to such, maintaining and improving the medium- to long-term competitiveness of the property as an office building has become a challenge.

With this backdrop and given that the buyer made a proposal of the transaction at the above disposition price, JRE-AM decided on the Disposition as a result of comparing the advantages of continuing to manage the property over a medium- to long-term with disposing it now as well as considering the capacity for future internal growth.

Furthermore, it is assumed the gain on the disposition of the property will be partially reserved internally with the remainder being paid as dividends for the fiscal period ending March 2022.

3. Description of the Property to Be Disposed

Description of the Property to Be Disposed			
Property name		Nagoya Misono Building	
Type of specified assets		Domestic real estate	
Type of ownership			
	Land	Ownership	
	Building	Ownership	
Location (Building address)		1-10-21 Sakae, Naka-ku, Nagoya-shi, Aichi	
Completion		September 1991	
Usage		Offices	
Appraisal value (Date of value)		JPY 1,760 million (as of November 1, 2021)	
Appraiser		Daiwa Real Estate Appraisal Co., Ltd.	
Outline of lease			
	Total number of tenants	17	
	Total rent revenues	JPY 78,562 thousand	
	Security deposit	JPY 113,210 thousand	
	Total leased area	3,448 m ²	
	Net rentable area	3,448 m ²	
	Occupancy rate	September 30, 2019	100.0%
		March 31, 2020	100.0%
		September 30, 2020	100.0%
		March 31, 2021	100.0%
		September 30, 2021	100.0%
Special notes		None	
(Notes)			
• The property will be transferred in the form of a trust beneficiary interest in real estate after concluding a real estate management and disposition trust agreement and establishing the trust on the scheduled date of disposition.			
• "Usage" shows the same entry stated in the real property registry.			
• "Outline of lease" indicates the figures as of the end of the fiscal period ended September 2021.			

4. Outline of the Buyer

The buyer is a domestic TMK. However, the buyer will not be disclosed as consent was not obtained. Furthermore, the buyer does not fall under a party having a special interest with either JRE or JRE-AM.

5. Settlement Method

Payment of 20% of the planned disposition price (not including consumption taxes) as a deposit on December 1, 2021

Payment of the amount after subtracting the deposit from the payment amount including consumption taxes on the transfer date

(Note) The deposit shall bear no interest.

6. Summary of Appraisal Report

Property name	Nagoya Misono Building
Appraisal value	JPY 1,760 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd
Date of value	November 1, 2021

Item	Amount	Description
Value indicated by the income approach	1,760,000	Indicated by the income approach, placing more weight on the DCF method that incorporates fluctuations of the future net cash flow, while employing the direct capitalization method for verification
Value indicated by the direct capitalization method	1,820,000	
(1) Operating income [①-②]	155,076	
① Potential rental income	163,788	Recorded on the basis of new rent levels of comparable properties, etc.
② Vacancy loss	8,712	Recorded on the basis of losses incurred in previous years and average vacancy rates of comparable properties, etc.
(2) Operating expenses	59,206	
Maintenance and management fee	18,367	Estimated to be the equivalent of 3.0% of rental income, referring to expenses incurred in previous years for the maintenance and management fee and cases of comparable properties for property management fee
Property management fee	(note)	
Utilities expenses	11,000	Estimated on the basis of expenses incurred in previous years, taking into account occupancy rates
Repair expenses	13,106	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	1,026	Recorded the amount equivalent to the 1.0-month rent for new tenants, in light of cases of comparable properties
Property tax and city planning tax	14,373	Estimated on the basis of the taxes levied for fiscal year 2021
Insurance Premium	333	Recorded the actual insurance premium rate, determining it to be reasonable
Other expenses	1,000	Recorded contingency fund based on the actual balance and budget
(3) Net operating income [(1)-(2)]	95,869	
(4) Operating profit on lump-sum payments	942	Estimated under the assumption of an interest rate of 1.0%
(5) Capital expenditures	11,253	Estimated on the basis of the replacement cost stated in the engineering report
(6) Net cash flow [(3)+(4) - (5)]	85,558	
(7) Capitalization rate	4.7%	Estimated in reference to the market capitalization rates of comparable properties
Value indicated by the DCF method	1,730,000	
Discount rate	4.5%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.
Terminal capitalization rate	4.9%	Estimated on the basis of the capitalization rate, while taking into account the marketability of the subject property at the end of the holding period
Value indicated by the cost approach	1,380,000	
Land ratio	71.3%	
Building ratio	28.7%	

* In thousands of yen (amounts are rounded down to the nearest thousand yen)

Any special considerations in the reconciliation between indicated values and determination of the final appraisal value	Nothing in particular
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Note: No consent has been obtained from the property management company to disclose the property management fee as a separate item. Moreover, if the property management fee for the subject property is disclosed separately, it might potentially affect other deals done by the property management company, which could negatively affect JRE in efficiently delegating property management services under its policy on the maintenance and management of target investment properties. This could in turn undermine the interests of its unitholders. Accordingly, the maintenance and management fee and the property management fee are shown by the combined amount.

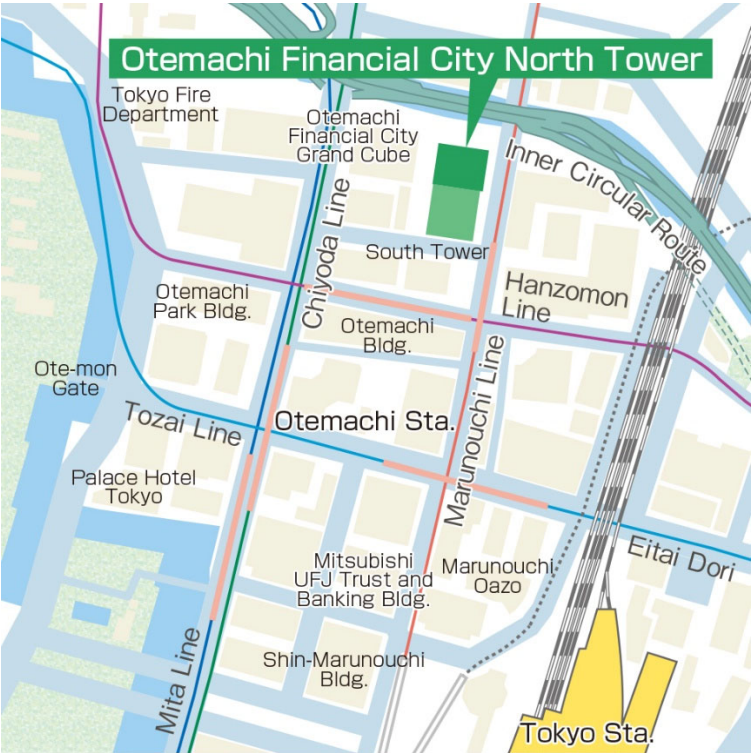
«Future Outlook»

For the operating performance forecasts for the fiscal period ending March 2022 (from October 1, 2021 to March 31, 2022) and the fiscal period ending September 2022 (from April 1, 2022 to September 30, 2022), please see “Financial Results for the Fiscal Period Ended September 2021 (REIT)” released today.

This is the English translation of the announcement in Japanese dated November 15, 2021.

No assurance or warranties are given for the completeness or accuracy of this English translation.

(Reference) map of Otemachi Financial City North Tower



(Reference) Exterior of Otemachi Financial City North Tower

