

May 16, 2022

For Immediate Release

Investment Corporation

Japan Real Estate Investment Corporation

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Announcement of 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, today decided to dispose of domestic real estate as described below.

1. Outline of the Disposition

Property name	Harumi Center Building
Disposition price (planned)	JPY 24,330 million
Estimated book value	JPY 20,813 million
Estimated gain on disposition	JPY 3,346 million
Buyer	Undisclosed (see item 4 below)
Brokerage	No
Decision date	May 16, 2022
Contract date	May 16, 2022
Transfer date (scheduled)	May 31, 2022
Payment date (scheduled)	May 31, 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.
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2. Reason for the Disposition

In recent years, the roles and functions expected of offices have been changing against the backdrop of the development of IT, growing environmental awareness, diversifying work styles, and such. With an eye on the shift of the business environment caused by 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 the portfolio.

The disposition of Harumi Center Building will be conducted as part of this replacement strategy. JRE believes that this disposition will enhance the quality of its portfolio by diversifying locations of portfolio properties within the bay areas, teaming up with the recently announced acquisition of Toyosu Front.

Furthermore, it is assumed that the cash proceeds from the disposition will be applied for repayment of a borrowing.

3. Outline of the Property to Be Disposed

Property name	Harumi Center Building
Type of specified assets	Domestic real estate
Type of ownership	
Land	Ownership
Building	Ownership
Location (Building address)	2-5-24 Harumi, Chuo-ku, Tokyo
Completion	November 2006
Usage	Offices and shops
Appraisal value (Date of value)	JPY 21,000 million (as of May 1, 2022)
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Outline of lease	
Total number of tenants	12
Total rent revenues	JPY 607,289 thousand
Security deposit	JPY 1,110,024 thousand
Total leased area	20,812 m ²
Net rentable area	20,812 m ²

Occupancy rate	March 31, 2020	100%
	September 30, 2020	100%
	March 31, 2021	100%
	September 30, 2021	100%
	March 31, 2022	100%
Special notes	None	
(Notes)		
<ul style="list-style-type: none">• “Usage” shows the main entries, among those listed in the real property registry.• “Outline of lease” indicates the figures as of the end of the fiscal period ended March 2022.		

4. Outline of the Buyer

The buyer is a domestic limited liability company (LLC). 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

Lump-sum payment at the time of transfer

6. Future Outlook

For the operating performance forecasts for the fiscal period ending September 2022 (from April 1, 2022 to September 30, 2022) and the fiscal period ending March 2023 (from October 1, 2022 to March 31, 2023), please see "Financial Results for the Fiscal Period Ended March 2022 (REIT)" released today.

7. Summary of Appraisal Report

Property name	Harumi Center Building
Appraisal value	JPY 21,000 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd
Date of value	May 1, 2022

Item	Amount	Description
Value indicated by the income approach	21,000,000	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	21,600,000	
(1) Operating income [①-②]	1,259,162	
① Potential rental income	1,297,337	Estimated considering new rent levels of comparable properties and the medium-to long-term competitiveness of the subject property
② Vacancy loss	38,175	Recorded on the basis of losses incurred in previous years and average vacancy rates of comparable properties, etc.
(2) Operating expenses	367,062	
Maintenance and management fee	139,388 (note)	Estimated on the basis of expenses incurred in previous years for the maintenance and management fee

	Property management fee		Estimated to be the equivalent of 3.0% of rental income, referring to cases of comparable properties for property management fee
	Utilities expenses	82,000	Estimated on the basis of expenses incurred in previous years, taking into account occupancy rates
	Repair expenses	23,252	Estimated according to the average annual expenses stated in the engineering report
	Leasing cost	9,488	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	111,446	Estimated on the basis of the taxes levied for fiscal year 2021
	Insurance Premium	1,486	Recorded the actual insurance premium rate, determining it to be reasonable
	Other expenses	0	
	(3) Net operating income [(1)-(2)]	892,100	
	(4) Operating profit on lump-sum payments	11,500	Estimated under the assumption of an interest rate of 1.0%
	(5) Capital expenditures	82,167	Estimated on the basis of the average annual repair/renewal expenses stated in the engineering report
	(6) Net cash flow [(3)+(4) - (5)]	821,432	
	(7) Capitalization rate	3.8%	Estimated referring to the market capitalization rates of comparable properties
	Value indicated by the DCF method	20,700,000	
	Discount rate	3.6%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.
	Terminal capitalization rate	4.0%	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	16,800,000	
	Land ratio	75.2%	
	Building ratio	24.8%	

* 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.

This is the English translation of the announcement in Japanese dated May 16, 2022.

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