

January 27, 2020

For Immediate Release

Investment Corporation

Japan Real Estate Investment Corporation  
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(TSE code: 8952)

Asset Management Company

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**Announcement of Acquisition of Domestic Real estate and  
Disposition of Trust Beneficial Interest in  
Domestic Real Estate with partial Leasehold included**

Japan Real Estate Investment Corporation ("JRE") hereby announces that Japan Real Estate Asset Management Co., Ltd. ("JRE-AM"), an asset management company to which JRE entrusts the asset investment, has decided today to acquire and dispose of domestic real estates (mutual trading) as follows:

**«Properties to be acquired and disposed of»**

	Property to be acquired	Property to be disposed of
Name of property	Seavans S Building	Kodenmacho Shin-Nihonbashi Building
Location	Minato-ku, Tokyo	Chuo-ku, Tokyo
Acquisition/disposition price	¥ 5,400 million	¥ 3,450 million
Date of contract (scheduled)	January 31, 2020	
Date of transfer (scheduled)	January 31, 2020	

### «Purpose of the acquisition and disposition»

JRE-AM has decided to acquire and dispose of the properties after considering its current and future portfolio strategies, while comprehensively taking into account the characteristics of the properties, the profitability of the portfolio, and the trend of the real estate market, in conformity with “the basic policy of asset management” and “the investment stance” set forth in the articles of incorporation of JRE.

JRE acquired Kodenmacho Shin-Nihonbashi Building (“Kodenmacho Bldg.”), the property to be disposed of, which is 28 years old, at the time of its listing on the Tokyo Stock Exchange in 2001. Since the acquisition, it has been maintaining a high occupancy rate and steady profitability.

By way of background, JRE-AM recently learned of the planned sale of Seavans S Bldg., the property to be acquired, and came to know the firm intention of its owner to buy Kodenmacho Bld. In the wake of these, the both sides had been negotiating with each other so that this trade can be of mutual benefit. Consequently, JRE-AM decided to enter into the trade agreement because: i) the counterparty offered to buy Kodenmacho Bldg. for a price in excess of both its book value and appraisal value; and ii) JRE-AM determined that Seavans S Bld. will be competitive and continue to deliver a steady net operating income on a medium-to long-term basis.

While making the decision, JRE-AM appreciated Seavans S Bld. especially for the following points:

(1) State-of-the-art specification

Although constructed in the same year as Kodenmacho Bldg., Seavans S Bldg. underwent a large renovation work in 2012. Thanks to that, the building is equipped with the latest specifications and its interior looks as attractive as those of fairly new buildings.

(2) Superior location

This property has excellent access to domestic and international transportation, such as Haneda Airport, lying close to Hamamatsucho station on JR Lines and Tokyo Monorail Line. When walking there from Hamamatsucho station, the pedestrian deck brings you to the close proximity, which provides walker-friendly access.

(3) Future prospects

Seavans S Bldg., having been maintaining a high occupancy rate, will likely continue to enjoy stable rental demand in the future due to the aforesaid advantages. Furthermore, JRE-AM deemed that Seavans S Bldg. will maintain stable net operating income due to housing a number of good-standing companies.

### «Property to be acquired : Seavans S Building»

#### 1. Outline of the acquisition

Name of property	Seavans S Building
Acquisition price	¥ 5,400 million
Seller	Undisclosed ( see item 3 below)
Brokerage	Yes (not an interested party)
Date of decision	January 27, 2020
Date of contract (scheduled)	January 31, 2020
Date of transfer (scheduled)	January 31, 2020
Date of payment (scheduled)	January 31, 2020

## 2. Description of the property to be acquired

Name of property	Seavans S Building	
Type of specified assets	Domestic real estate	
Type of ownership		
Land	Ownership pertaining to the following: Seller-owned land lot; co-ownership interest of 44,363/100,000	
Building	Co-ownership interest of sectional ownership (Seavans S Bldg. business interest: 13.45%) ▪ for 16th through 22nd floor (13,932.31 m <sup>2</sup> ) : 42.86% ▪ for 9th through 10th floor (3,980.66 m <sup>2</sup> ): 9.473%	
Location (Building address)	1-2-3, Shibaura, Minato-ku, Tokyo	
Usage	Offices	
Area		
Land	26,468.49 m <sup>2</sup> ( the area stated in the real property registry)	
Building	167,807.32m <sup>2</sup> (the gross floor area stated in the real property registry)	
Structure	S/RC/SRC structure with flat roof, 24 stories above the ground and 2 basement levels	
Typical floor area	2,012 m <sup>2</sup>	
Completion	January 1991	
Matters related to earthquake resistance	PML: 1.7% ( based on the seismic risk assessment report by Tokio Marine & Nichido Risk Consulting Co., Ltd.)	
Mortgage	Yes (to be released before the transfer)	
Appraisal value ( Date of value)	¥ 7,140 million (as of January 1, 2020)	
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.	
Outline of lease		
Total number of tenants	14	
Total leasing business income	¥ 557 million per year	
Security deposit	No receipt of security deposits based on Agreement between the co-owners	
Total rented area	6,074 m <sup>2</sup>	
Net rentable area	6,074 m <sup>2</sup>	
Occupancy rate	March 15, 2018	100.0%
	September 15, 2018	100.0%
	March 15, 2019	100.0%
	September 15, 2019	100.0%
	Scheduled date of acquisition	100.0%
Special notes	<ul style="list-style-type: none"> <li>• The boundary confirmation has not been completed.</li> <li>• According to a survey report prepared by Tokio Marine &amp; Nichido Risk Consulting Co., Ltd., the land-use history research found that the possibility of soil contamination cannot be denied; however, a risk of health hazard is deemed low.</li> </ul>	

(Note)

- JRE, upon acquisition of the property, will lease the whole owned space to a master lessee in accordance with a joint operating agreement, in which the master lessee will then sublease it to third parties under the master lease contract of a pass-through type.
- JRE's business balance is calculated by multiplying that of the whole Seavans S Bldg. by JRE's business interest in it (13.45%).
- "Area" represents ones stated in the real property registry, which is subject to the whole building and site comprised of Seavans S Bldg., N Bldg., and AMALL.
- "Structure" and "Completion" show the same ones as in the real property registry. "Usage", however, indicates the main one, among those listed in the real property registry.
- "Total leasing business income", "Total rented area", and "Net rentable area" represent the figures derived by multiplying the ones pertaining to the whole Seavans S Bldg. by JRE's business interest in it.
- "Total number of tenants", "Total rented area", "Net rentable area" are forecasts as of the scheduled acquisition date.
- "Total number of tenants" and "Occupancy rate" are the ones pertaining to the whole Seavans S Bldg.
- As for "Security deposit", they are centrally managed by the master lessee under the master lease contract.
- "Outline of lease" are based on the data provided by the seller.
- NOI (Net Operating Income): ¥ 313 million a year (an estimated amount)
- Depreciation: ¥ 60 million a year (an estimated amount)

### 3. Outline of seller

Although the seller is a domestic corporate entity, its consent to disclose information is not obtained. Note that the said entity does not fall under interested parties of JRE or JRE-AM.

### 4. Status of owners, etc. of the property

This property is not acquired from one that falls under interested parties of JRE or JRE-AM.

### 5. Summary of appraisal report

Name of property	Seavans S Building
Appraisal value	¥ 7,140 million
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.
Date of value	January 1, 2020

Item	Amount	Description
Value indicated by the income approach	7,140,000	Indicated by putting more weight on the DCF method, which weaves fluctuation of the future net cash flows into the value, while employing the direct capitalization method for verification
Value indicated by the direct capitalization method	7,290,000	
(1) Operating Income [①-②]	509,107	
① Potential rental income	536,057	Recorded on the basis of new rent levels of comparable properties, etc.
② Vacancy Loss	26,950	Recorded on the basis of average vacancy rates of comparable properties, etc.
(2) Operating expenses	191,703	

Maintenance and management fee	74,815 (Note)	Estimated on the basis of the contract for the property management fee, while referring to expenses incurred in previous years for the maintenance management fee
Property management fee		
Utilities expenses	62,233	Estimated on the basis of expenses incurred in previous years, taking into account JRE's business interest, etc.
Repair expenses	3,974	Estimated according to the average annual expense stated in the engineering report
Leasing Cost	3,623	Estimated in light of cases of comparable properties
Property tax and city planning tax	40,224	Estimated on the basis of the taxes levied for fiscal year 2019
Insurance Premium	1,139	Estimated on the basis of expenses incurred in previous years, taking into account JRE's business interest, etc.
Other expenses	5,693	Estimated on the basis of expenses incurred in previous years
(3) Net Operating Income [(1)-(2)]	317,404	
(4) Operating profit on lump-sum payments	0	Excluded from consideration in accordance with the ML contract
(5) Capital expenditure	33,050	Estimated according to the re-procurement prices shown in the engineering report
(6) Net Cash Flow [(3)+(4) - (5)]	284,353	
(7) Capitalization rate	3.9%	Estimated referring to market capitalization rates of comparable properties
Value indicated by the DCF method	7,080,000	
Discount rate	3.7%	Estimated comparing with the discount rates pertaining to trading comparable properties and the yields of other financial instruments
Terminal capitalization rate	4.1%	Estimated on the basis of the capitalization rate, while taking into account the marketability of the subject property at the termination of its retention period
Value indicated by the cost approach	6,360,000	
Land ratio	85.2%	
Building ratio	14.8%	

\* 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: The property management company did not consent to us disclosing the property management fee. If the fee for the subject property is disclosed, it might potentially affect other deals done by the company, which could affect JRE in effective delegation of property management services under our policy on property maintenance and management. This could in turn undermine the interests of our unit holders. Accordingly, the maintenance-management fee and property management fee are shown in the total amount for presentation.

## «Property to be disposed of : Kodenmacho Shin-Nihonbashi Building»

### 1. Outline of the disposition

Name of property	Kodenmacho Shin-Nihonbashi Building
Disposition price	¥ 3,450 million
Estimated book value	¥ 2,714 million
Estimated gain on disposition	¥ 586 million
Buyer	Undisclosed ( see item 3 below)
Brokerage	Yes (not an interested party)
Date of decision	January 27, 2020
Date of contract (scheduled)	January 31, 2020
Date of transfer (scheduled)	January 31, 2020

Date of payment (scheduled)	January 31, 2020
(Notes)	<ul style="list-style-type: none"> <li>• The disposition price excludes disposition expenses, the adjustment amounts of the property tax and city planning tax, and the consumption tax.</li> <li>• The estimated book value is the book value estimated as of today calculated by the asset management company on the basis of capital expenditures scheduled and depreciation estimated up to the date of transfer.</li> <li>• The estimated gain on disposition represents an approximate amount because disposition expenses are partially yet to be determined.</li> </ul>

## 2. Outline of the property to be disposed

Name of property		Kodenmacho Shin-Nihonbashi Building	
Type of specified assets		Beneficial interest in real estate and leasehold trusts	
Type of ownership			
	Land	Ownership ( with partial leasehold included )	
	Building	Ownership	
Location (Building address)		4-9, Nihonbashi-Kodenmacho, Chuo-ku, Tokyo	
Completion		November 1991	
Usage		Offices and stores	
Appraisal value ( Date of value)		¥ 2,970 million (as of January 1, 2020)	
Appraisal institution		Daiwa Real Estate Appraisal Co., Ltd.	
Outline of lease			
	Total number of tenants	10	
	Total rental income	¥ 120 million (for the September 2019 period)	
	Security deposit	¥ 177 million	
	Total rented area	3,897 m <sup>2</sup>	
	Net rentable area	3,897 m <sup>2</sup>	
	Occupancy rate	September 30, 2017	100.0%
		March 31, 2018	100.0%
		September 30, 2018	100.0%
		March 31, 2019	100.0%
		September 30, 2019	100.0%
Special notes		Regarding the leasehold interest in part of the said land, its contract is to expire in 2021.	
(Note)			
• The stated usage indicates the main usage, among those listed in the real property registry.			
• The figures in “outline of lease” are the ones as of the last day of the fiscal period ended September 30, 2019.			

## 3. Outline of buyer

The same as the above-mentioned seller

#### 4. Summary of appraisal report

Name of property	Kodenmacho Shin-Nihonbashi Building
Appraisal value	¥ 2,970 million
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.
Date of value	January 1, 2020

Item	Amount	Description
Value indicated by the income approach	2,970,000	Indicated by putting more weight on the DCF method, which weaves fluctuation of the future net cash flows into the value, while employing the direct capitalization method for verification
Value indicated by the direct capitalization method	3,050,000	
(1) Operating Income [(1)-(2)]	224,607	
① Potential rental income	236,568	Recorded on the basis of new rent levels of comparable properties, etc.
② Vacancy Loss	11,961	Recorded on the basis of average vacancy rates of comparable properties, etc.
(2) Operating expenses	85,064	
Maintenance and management fee	28,296	Estimated referring to expenses incurred in previous years for the maintenance and management fee and cases of comparable properties for PM fee
Property management fee		
Utilities expenses	18,200	Estimated on the basis of expenses incurred in previous years, taking into account occupancy rates
Repair expenses	5,685	Estimated according to the average annual expense stated in the engineering report
Leasing Cost	1,307	Estimated in light of cases of comparable properties
Property tax and city planning tax	24,253	Estimated on the basis of the taxes levied for fiscal year 2019
Insurance Premium	350	Estimated taking into consideration the current insurance premium rate and those for comparable properties
Other expenses	6,971	
(3) Net Operating Income [(1)-(2)]	139,542	
(4) Operating profit on lump-sum payments	1,554	Estimated under the assumption of an interest rate of 1%
(5) Capital expenditure	19,079	Estimated according to the re-procurement prices shown in the engineering report
(6) Net Cash Flow [(3)+(4) - (5)]	122,017	
(7) Capitalization rate	4.0%	Estimated referring to market capitalization rates of comparable properties
Value indicated by the DCF method	2,940,000	
Discount rate	3.8%	Estimated drawing on market capitalization rates of comparable properties
Terminal capitalization rate	4.2%	Estimated on the basis of the capitalization rate, while taking into account the marketability of the subject property
Value indicated by the cost approach	2,840,000	
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: The property management company did not consent to us disclosing the property management fee. If the fee for the subject property is disclosed, it might potentially affect other deals done by the company, which could affect JRE in effective delegation of property management services under our policy on property maintenance and management. This could in turn undermine the interests of our unit holders. Accordingly, the maintenance-management fee and property management fee are shown in the total amount for presentation.

**«Settlement method»**

1) Acquisition fund

The proceeds from the disposition and Cash reserves

2) Settlement method

A lump-sum payment at the time of transfer

**«Future outlook»**

JRE does not make any revision to the operating performance forecasts for the fiscal periods ending March 31, 2020 (from October 1, 2019 to March 31, 2020) and September 30, 2020 (from April 1 to September 30, 2020) because this disposition and acquisition will likely have only a marginal effect on the performance.

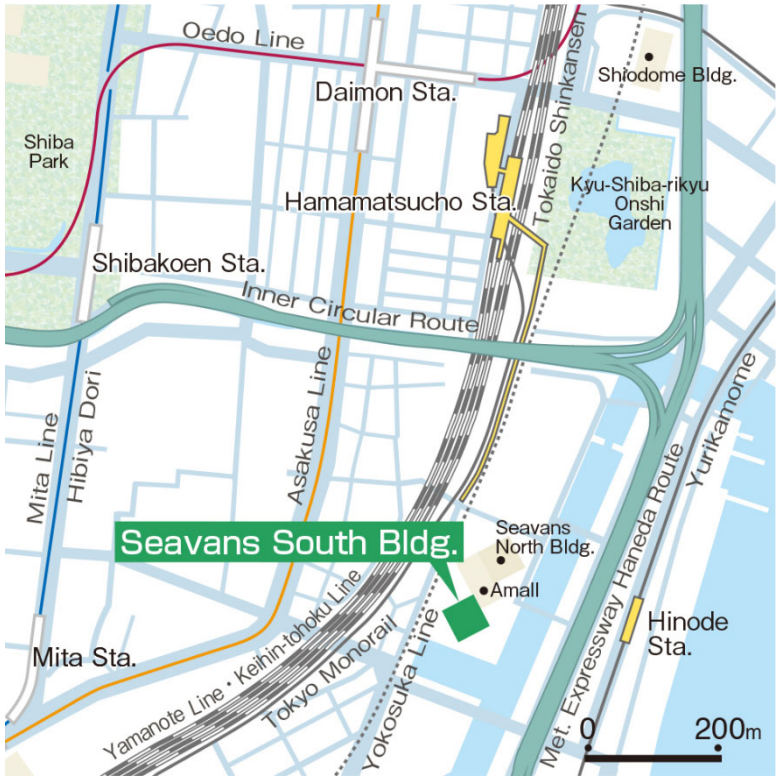
To stabilize its future dividends, JRE intends to internally retain the gain on the disposition as reserve for reduction entry within the maximum amount by applying “special provisions for taxation in cases of repurchase of specified assets” stipulated in Article 65-7 of the Act on Special Measures Concerning Taxation.

This is the English translation of the announcement in Japanese dated January 27, 2020.

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



(Reference) map of Seavans S Building



(Reference) Exterior of Seavans S Building

