

September 28, 2021

For Immediate Release

Investment Corporation

Japan Real Estate Investment Corporation

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(TSE code: 8952)

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## Announcement of Acquisition of Trust Beneficiary Interest in 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 acquire trust beneficiary interest in domestic real estate as follows:

### 1. Outline of the Acquisition

Property name	GRAND FRONT OSAKA (Umekita Plaza and South Building)	GRAND FRONT OSAKA (North Building)
Acquisition price (planned)	JPY 11,250 million	JPY 9,750 million
Seller	Mitsubishi Estate Co., Ltd.	
Brokerage	No	
Decision date	September 28, 2021	
Contract date	October 1, 2021	
Transfer date (scheduled)	October 1, 2021	
Payment date (scheduled)	October 1, 2021	

### 2. Reason for the Acquisition

In recent years, the roles and functions expected of offices have undergone change against the backdrop of the development of IT, growing environmental awareness, diversification of work styles, and such. In view of the change in the business environment resulting from these new trends, JRE has established a policy to strategically replace its portfolio properties under a proactive perspective, focusing on the medium- to long-term competitiveness of the portfolio.

GRAND FRONT OSAKA (Note) is a large-scale complex facility consisting of office, retail, hotel and other sections and is located in the Umeda area which contains the largest terminal in western Japan. JRE believes that the acquisition of the property is in line with its portfolio property replacement policy and that its acquisition will lead to enhancing the portfolio's competitiveness in the medium to long term.

(Note) "GRAND FRONT OSAKA" refers collectively to the properties to be acquired, namely "GRAND FRONT OSAKA (Umekita Plaza and South Building)" and "GRAND FRONT OSAKA (North Building)."

The properties were evaluated for the following points in particular:

(1) Superior location

The north district of the Osaka Station in which GRAND FRONT OSAKA is situated is the largest terminal in western Japan where seven stations and 12 railway lines converge. The property is directly connected to JR Osaka Station via a pedestrian deck and enjoys close proximity to Umeda Station on the Hankyu and Hanshin lines as well as various subway lines, making transportation extremely convenient.

Moreover, in the adjacent redevelopment area, the Umekita 2nd Phase project is underway, headed by Mitsubishi Estate, and Umekita (Osaka) Underground Station is scheduled to be opened in spring 2023 by JR West Japan while mutual operation of a new railway line passing through the station is also planned, and further enhancement of terminal functions is anticipated.

(2) Excellent building and facility

GRAND FRONT OSAKA consists of three high-rise buildings completed in 2013. The office floors of each building provide expansive spaces with no columns, offering comfortable office environments where the latest technologies as of the time of completion have been introduced.

Moreover, there are excellent amenity spaces which increase comfort for employees, such as green rooftop gardens, lounges exclusively for tenants and relaxation corners with pleasant views.

In terms of the environment, the property has a high standard of safety due to its excellent earthquake resistance from adoption of the latest damping structure. The property also forms a network of water and greenery in unison with the several blocks with greening, water features, etc. on rooftops and on the ground, realizing a harmonious environment as a whole.

Moreover, the property employed highly effective low-CO<sub>2</sub> technologies such as natural ventilation, high-efficiency heat source systems, and solar power generators as well as establishing a network of Building Energy Management Systems (BEMS) of each of its buildings which centralizes control of energy consumption as an entire property. As initiatives for the entire development area, an organization called Town Management Organization (TMO) is set up and it develops city-wide CO<sub>2</sub> reduction management in a bid to realize a low-carbon society.

As such, the property has been selected by the Ministry of Land, Infrastructure, Transport and Tourism as "Leading Low-CO<sub>2</sub> Model Business for Residences and Buildings", serving as an "environmental showcase leading the realization of a sustainable society."

(3) Knowledge Capital: A base for the creation of knowledge

Umekita area, where the property is located, is a core base of Osaka's special growth strategy zone, and has been redeveloped for the purpose of enhancing the international competitiveness of the Kansai's urban area.

The anterior development district of Umekita forms a base for the gathering and interaction of international information and personnel with the concept of a "city" that generates diverse innovation. GRAND FRONT OSAKA, which is located in this district, is host to Knowledge Capital, an intellectual creation base suitable for generating new businesses.

Knowledge Capital has large and small offices, salons, labs, showrooms, theaters and other facilities where people can interact, as well as functions for their operation.

### 3. Description of the Properties to Be Acquired

#### (1) GRAND FRONT OSAKA (Umekita Plaza and South Building)

Property name	GRAND FRONT OSAKA (Umekita Plaza and South Building)	
Type of specified asset	Trust beneficiary interest in domestic real estate	
Type of ownership		
Land	49% quasi co-ownership interest in the following trust beneficiary interest: <ul style="list-style-type: none"> <li>• Ownership (co-ownership interest: 10/100)</li> <li>• Leasehold (quasi co-ownership interest: 10/100)</li> </ul> *Share of right of site: 4.9%	
Building	49% quasi co-ownership interest in the following trust beneficiary interest: <ul style="list-style-type: none"> <li>• Ownership (co-ownership interest: 10/100)</li> </ul> *Share of ownership of building: 4.9%	
Trustee	Sumitomo Mitsui Trust Bank, Limited	
Location (Building address)	4-1 (Umekita Plaza) & 4-20 (South Building) Ofukacho, Kita-ku, Osaka	
Usage	Shops (Umekita Plaza); Offices and shops (South Building)	
Area		
Land	20,488.08 m <sup>2</sup> (area stated in the real property registry) *Includes 9,917 m <sup>2</sup> of leased area.	
Building	10,226.10 m <sup>2</sup> (Umekita Plaza), 181,371.39 m <sup>2</sup> (South Building) (gross floor area stated in the real property registry)	
Structure	RC/S structure with flat roof, 2 stories above the ground and 2 basement levels (Umekita Plaza) S/SRC structure with flat roof, 38 stories above the ground and 3 basement levels (South Building)	
Typical floor area	2,678.027 m <sup>2</sup> (South Building Tower A)	
Completion	February 2013 (Umekita Plaza); March 2013 (South Building)	
Matters related to earthquake resistance	PML: 3.6% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)	
Mortgage	No	
Appraisal value (Date of value)	JPY 11,700 million (as of September 1, 2021)	
Appraisal institution	Chuo Real Estate Appraisal Co., Ltd.	
Outline of lease		
Total number of tenants	2 (268)	
Total rent revenues	Undisclosed	
Security deposit	Undisclosed	
Total leased area	5,893 m <sup>2</sup> (5,117 m <sup>2</sup> )	
Net rentable area	5,893 m <sup>2</sup> (5,190 m <sup>2</sup> )	
Occupancy rate	July 31, 2021	100.0% (98.6%)
Special notes	Due to the co-owners principle agreement, transfer of the co-ownership interest owned by the trustee or trust beneficiary interest owned by JRE requires the consent of the property's co-owners, etc.	

(Note)

- “Area,” “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.
- “Outline of lease” is based on the data provided by the seller and calculated on the basis of JRE’s interest. “Total number of tenants” shows the number pertaining to the entire property, but as the property is leased in bulk under pass-through master lease agreements, the total number of tenants is indicated as 2 based on the number of lessees to whom the property is leased in bulk. The figure indicated in parentheses is the total number of end tenants as of the end of July 2021.
- “Total rent revenues” and “Security deposit” are undisclosed as the consent of the co-owners, etc. has not been obtained.
- “Net rentable area” and “Total leased area” are indicated as the sum of the contracted areas stipulated in the master lease agreements. The area in parentheses for “Net rentable area” is the area believed to be able to be leased to end tenants as of the end of July 2021 while the area in parentheses for “Total leased area” is the total area contracted with end tenants as of the end of July 2021. Warehouses, parking lots, machine rooms, etc. are not included.
- The figure indicated in parentheses in “Occupancy rate” is the ratio of the area leased to end tenants against the total rentable area as of the end of July 2021.
- NOI (Net Operating Income): JPY 394 million a year (an estimated amount)
- Depreciation: JPY 92 million a year (an estimated amount)

## (2) GRAND FRONT OSAKA (North Building)

Property name	GRAND FRONT OSAKA (North Building)	
Type of specified asset	Trust beneficiary interest in domestic real estate	
Type of ownership		
Land	49% quasi co-ownership interest in the following trust beneficiary interest: • Ownership (co-ownership interest: 10/100) *Share of right of site: 4.9%	
Building	49% quasi co-ownership interest in the following trust beneficiary interest: • Ownership (co-ownership interest: 10/100) *Share of ownership of building: 4.9%	
Trustee	Sumitomo Mitsui Trust Bank, Limited	
Location (Building address)	3-1 Ofukacho, Kita-ku, Osaka	
Usage	Offices, hotel and shops	
Area		
Land	22,680.03 m <sup>2</sup> (area stated in the real property registry)	
Building	290,030.59 m <sup>2</sup> (gross floor area stated in the real property registry)	
Structure	S/SRC structure with flat roof, 38 stories above the ground and 3 basement levels	
Typical floor area	2,613.26 m <sup>2</sup> (Tower B), 1,739.85 m <sup>2</sup> (Tower C)	
Completion	February 2013	
Matters related to earthquake resistance	PML: 2.7% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)	
Mortgage	No	
Appraisal value (Date of value)	JPY 10,100 million (as of September 1, 2021)	
Appraisal institution	Chuo Real Estate Appraisal Co., Ltd.	
Outline of lease		
Total number of tenants	5 (125)	
Total rent revenues	Undisclosed	
Security deposit	Undisclosed	
Total leased area	8,743 m <sup>2</sup> (8,250 m <sup>2</sup> )	
Net rentable area	8,743 m <sup>2</sup> (8,462 m <sup>2</sup> )	
Occupancy rate	July 31, 2021	100.0% (97.5%)
Special notes	Due to the co-owners principle agreement, transfer of the co-ownership interest owned by the trustee or trust beneficiary interest owned by JRE requires the consent of the property's co-owners, etc.	

(Note)

- “Area,” “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.
- “Outline of lease” is based on the data provided by the seller and calculated on the basis of JRE’s interest. “Total number of tenants” shows the number pertaining to the entire property, but as part of the property is leased in bulk under pass-through master lease agreements and a fixed master lease agreement, the total number of tenants is indicated as 5 based on the sum of the number of lessees to whom the part of the property is leased in bulk and the number of end tenants in the direct lease section. The figure indicated in parentheses is the total number of end tenants as of the end of July 2021.
- “Total rent revenues” and “Security deposit” are undisclosed as the consent of the co-owners, etc. has not been obtained.
- “Net rentable area” and “Total leased area” are indicated as the sum of the contracted areas stipulated in the master lease agreements and the direct lease agreement. The area in parentheses for “Net rentable area” is the area believed to be able to be leased to end tenants as of the end of July 2021 while the area in parentheses for “Total leased area” is the total area contracted with end tenants as of the end of July 2021. Warehouses, parking lots, machine rooms, etc. are not included.
- The figure indicated in parentheses in “Occupancy rate” is the ratio of the area leased to end tenants against the total rentable area as of the end of July 2021.
- NOI (Net Operating Income): JPY 365 million a year (an estimated amount)
- Depreciation: JPY 97 million a year (an estimated amount)

(3) Common shares and rights to claim return of funds

In acquiring the two properties above, JRE is scheduled to acquire the following rights to claim return as well as common shares from the seller. Moreover, the assets to be acquired are not to be transferred independent of the interest in the above two properties.

- The right to claim the return of JPY 490,000 of funds related to GRAND FRONT OSAKA TMO <sup>(Note 1)</sup> is scheduled to be acquired for JPY 490,000.
- 1,666 common shares of KMO Corporation <sup>(Note 2)</sup> are scheduled to be acquired for JPY 83,300,000 or JPY 50,000 per share.
- The right to claim the return of JPY 4,900,000 of funds related to Knowledge Capital Association <sup>(Note 2)</sup> is scheduled to be acquired for JPY 4,900,000.

(Note 1) GRAND FRONT OSAKA TMO is a general incorporated association whose business is regional vitalization, environmental improvement, community formation, etc. centering on GRAND FRONT OSAKA.

(Note 2) KMO Corporation and Knowledge Capital Association are the companies responsible for planning and management of Knowledge Capital which manages and operates office facilities, etc. established in the lower section of GRAND FRONT OSAKA (North Building).

(Note 3) The acquisition prices (planned) of the two properties indicated above are the trading prices indicated in the sale agreements (consumption tax, regional consumption tax, brokerage fees, etc. are not included) and do not include the acquisition prices of the rights to claim return of funds and the common shares.

The overview of KMO Corporation is as follows

Corporate name	KMO Corporation
Location	3-1 Ofukacho, Kita-ku, Osaka
Representative	Hidetoshi Odajima, President
Principal business	Management of tenants, etc. occupying Knowledge Capital and business development of Knowledge Capital
Paid-in capital	Undisclosed (*)
Date of establishment	April 1, 2009
Net assets and total assets	Undisclosed (*)
Shareholders	<ul style="list-style-type: none"> <li>• NTT Urban Development Corporation</li> <li>• Obayashi Corporation</li> <li>• ORIX Real Estate Corporation</li> <li>• Kanden Realty &amp; Development Co., Ltd.</li> <li>• Japan Excellent, Inc.</li> <li>• Sekisui House, Ltd.</li> <li>• Takenaka Corporation</li> <li>• Chuo-Nittochi Group Co., Ltd.</li> <li>• Tokyo Tatemono Co., Ltd.</li> <li>• Nippon Steel Kowa Real Estate Co., Ltd.</li> <li>• Hankyu Corporation</li> <li>• Hankyu Hanshin REIT, Inc.</li> <li>• Mitsubishi Estate Co., Ltd.</li> <li>• Mitsubishi Logistics Corporation</li> </ul>
Relationship with JRE and JRE-AM	
Capital relationship	JRE is scheduled to acquire 1,666 common shares of KMO Corporation.
Personnel relationship	None in particular
Business relationship	None in particular
Applicability to related parties	No

(\*) Undisclosed as consent of other shareholders of KMO Corporation has not been obtained.

#### 4. Outline of Seller

Corporate name	Mitsubishi Estate Co., Ltd.
Location	1-1-1, Otemachi, Chiyoda-ku, Tokyo
Representative	Junichi Yoshida, President & Chief Executive Officer
Principal business	Real estate business
Paid-in capital	JPY 142,414 million (as of Jun. 30, 2021)
Date of establishment	May 7, 1937
Net assets	(Consolidated): JPY 2,097,980 million (as of Jun. 30, 2021)
Total assets	(Consolidated): JPY 6,299,458 million (as of Jun. 30, 2021)
Major shareholders and their shareholding percentages (as of Mar. 31, 2021)	The Master Trust Bank of Japan, Ltd. (Shintaku Acc.): 9.84% Custody Bank of Japan, Ltd. (Shintaku Acc.): 4.83% Meiji Yasuda Life Insurance Company: 3.39%
Relationship with JRE and JRE-AM	
Capital relationship	Mitsubishi Estate Co., Ltd. (“Mitsubishi Estate”) is a parent company of JRE-AM, holding a 100% stake as of September 28, 2021. Mitsubishi Estate also holds 17,120 investment units of JRE as of March 31, 2021, which accounts for 1.24% of the number of units outstanding.
Personnel relationship	Thirteen personnel from Mitsubishi Estate are on loan to JRE-AM as of September 28, 2021, and JRE’s executive director concurrently serves as corporate advisor of Mitsubishi Estate.
Business relationship	Mitsubishi Estate is the previous owner and trust beneficiary of some of the JRE-owned properties. It is also a lessee for JRE. In addition, it has several collateral contracts regarding properties held by JRE.
Applicability to related parties	Mitsubishi Estate falls within the definition of related party of JRE-AM under the Regulation for Terminology, Forms, and Preparation Methods of Financial Statements. Furthermore, Mitsubishi Estate falls within the definition of interested persons, etc. of JRE-AM under the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, including later amendments), and also falls within the definition of interested parties under the internal rules of JRE-AM.

#### 5. Status of Owners, Etc. of the Property

Property name (Location)	GRAND FRONT OSAKA (Umekita Plaza, South Building, and North Building) (4-1, 4-20 & 3-1 Ofukacho, Kita-ku, Osaka)		
Status of owners, etc. of the property	Previous owner	Second previous owner	
	Corporate name	Mitsubishi Estate Co., Ltd.	—
	Relationship with interested parties of JRE	See item 4 above “Outline of Seller”	—
	Acquisition background and reason, etc.	Newly built in 2013	—
	Acquisition price	—	—
	Acquisition date	—	—



## 6. Transaction with Interested Party

The transactions fall under a transaction with an interested party. In order for such a transaction to proceed, JRE-AM first goes through the deliberation and approval process at its compliance committee, and then obtains approval from its investment management council pursuant to the rules for interested-party transactions.

## 7. Settlement Method

1) Acquisition fund

Cash on hand

2) Settlement method

Lump-sum payment at the time of transfer

## 8. Future Outlook

The scheduled date of acquisition of the properties falls under the operating period ending March 2022, and there is no impact on the operating performance of JRE in the fiscal period ending September 2021 (April 1, 2021 to September 30, 2021). Moreover, there are no revisions to the operating performance forecast for the fiscal period ending March 2022 (October 1, 2021 to March 31, 2022) as the acquisitions will likely have only a marginal effect on performance.

## 9. Summary of appraisal report

Name of property	GRAND FRONT OSAKA (Umekita Plaza and South Building)
Appraisal value	JPY 11,700 million
Appraisal institution	Chuo Real Estate Appraisal Co., Ltd.
Date of value	September 1, 2021

Item	Amount	Description
Value indicated by the income approach	11,700,000	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	12,400,000	
(1) Operating Income [(1)-(2)]	Undisclosed (Note)	
① Potential rental income		
② Vacancy Loss		
(2) Operating expenses	Undisclosed (Note)	
Maintenance and management fee		
Property management fee		
Utilities expenses		
Repair expenses		
Leasing Cost		
Property tax and city planning tax		
Insurance Premium		
Other expenses		
(3) Net Operating Income [(1)-(2)]	411,500	
(4) Operating profit on lump-sum payments	Undisclosed (Note)	
(5) Capital expenditure	14,177	Estimated referring to the average annual repair/renewal expenses stated in the engineering report

(6) Net Cash Flow [(3)+(4) – (5)]	397,306	
(7) Capitalization rate	3.2%	Determined by referring to market capitalization rates of comparable properties while taking into account individuality of the subject property
Value indicated by the DCF method	11,400,000	
Discount rate	3.0%	Determined based on the standard investment yield for the subject area, while taking into account individuality of the subject property
Terminal capitalization rate	3.4%	Determined based on the standard investment yield for the subject area, while taking into account individuality of the subject property and the risk of decline in its asset value until the termination of its retention period
Value indicated by the cost approach	13,400,000	
Land ratio	82.1%	
Building ratio	17.9%	

\* 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): Operating income and expenses, etc. are undisclosed as the consent of the co-owners, etc. has not been obtained.

Name of property	GRAND FRONT OSAKA (North Building)
Appraisal value	JPY 10,100 million
Appraisal institution	Chuo Real Estate Appraisal Co., Ltd.
Date of value	September 1, 2021

Item	Amount	Description
Value indicated by the income approach	10,100,000	Indicated by putting more weight on the DCF method, which waves 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	10,800,000	
(1) Operating Income [①-②]	Undisclosed (Note)	
① Potential rental income		
② Vacancy Loss		
(2) Operating expenses	Undisclosed (Note)	
Maintenance and management fee		
Property management fee		
Utilities expenses		
Repair expenses		
Leasing Cost		
Property tax and city planning tax		
Insurance Premium		
Other expenses		
(3) Net Operating Income [(1)-(2)]	372,815	
(4) Operating profit on lump-sum payments	Undisclosed (Note)	

(5) Capital expenditure	16,986	Estimated referring to the average annual repair/renewal expenses stated in the engineering report
(6) Net Cash Flow [(3)+(4) - (5)]	355,829	
(7) Capitalization rate	3.3%	Determined by referring to market capitalization rates of comparable properties while taking into account individuality of the subject property
Value indicated by the DCF method	9,800,000	
Discount rate	3.1%	Determined based on the standard investment yield for the subject area, while taking into account individuality of the subject property
Terminal capitalization rate	3.5%	Determined based on the standard investment yield for the subject area, while taking into account individuality of the subject property and the risk of decline in its asset value until the termination of its retention period
Value indicated by the cost approach	16,200,000	
Land ratio	78.4%	
Building ratio	21.6%	

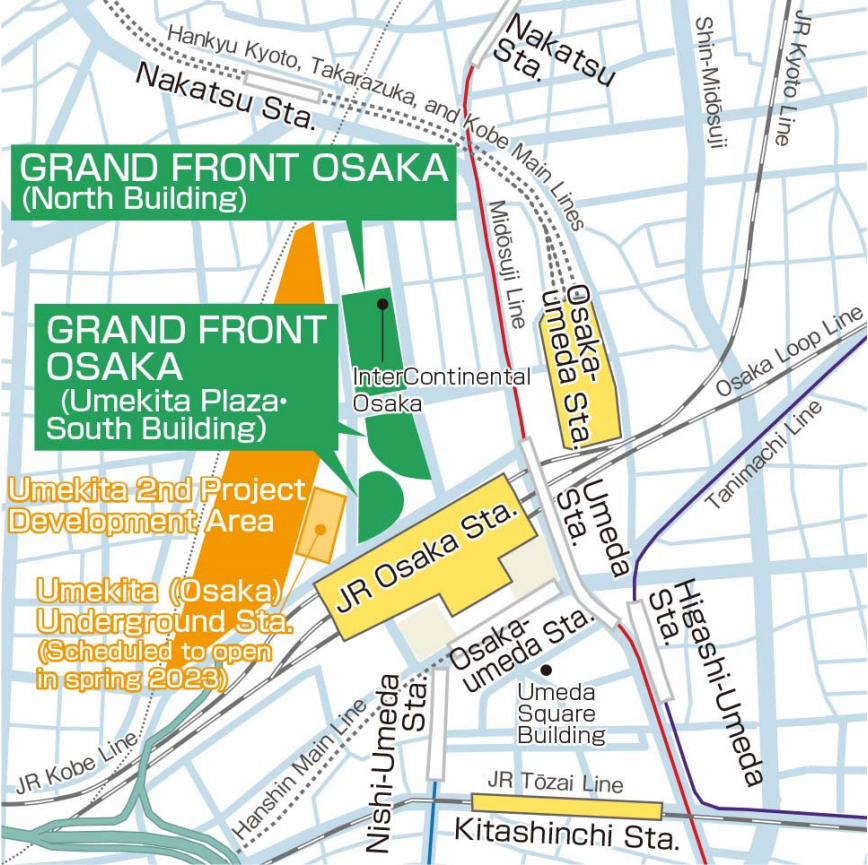
\* In thousands of yen (Amounts are rounded down to the nearest thousand yen)

Any special considerations in the reconciliation between indicated values and determination of the final appraisal value	Although there is a discrepancy between values indicated by the income approach and the cost approach, as the demand for the subject property is mainly from investors who put more weight on profitability as a profit-making property, the appraisal value is determined based on the income approach while the cost approach is used just as reference.
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(Note): Operating income and expenses, etc. are undisclosed as the consent of the co-owners, etc. has not been obtained.

This is the English translation of the announcement in Japanese dated September 28, 2021.  
No assurance or warranties are given for the completeness or accuracy of this English translation.

(Reference) map of GRAND FRONT OSAKA



(Reference) Exterior of GRAND FRONT OSAKA

