

March 7, 2024

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 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 domestic real estate and dispose of trust beneficiary interest in domestic real estate (the “Acquisition” and the “Disposition” respectively; the “Transaction” collectively) as follows:

<<Property to be acquired>>

Property name	Location	Acquisition Price (planned)	Contract date (scheduled)	Transfer date (scheduled)
3rd MINAMI AOYAMA	Minato-ku, Tokyo	JPY 21,000 million	March 8, 2024	March 8, 2024

<<Property to be disposed of>>

Property name	Location	Disposition Price (planned)		Contract date	Transfer date (scheduled)
JRE Dojima Tower	Osaka-shi, Osaka	JPY 33,400 million	① JPY 17,034 million (Quasi-co-ownership: 51%)	March 7, 2024	① April 1, 2024
			② JPY 16,366 million (Quasi-co-ownership: 49%)		② October 1, 2024

«Purpose of the Transaction»

The transaction is part of our portfolio reshuffling strategy aimed at improving its medium- to long-term competitiveness. We decided to make the acquisition based on our judgment that it would help improve the competitiveness of our portfolio given the good metropolitan location and strong basic specifications and functionality of the property to be acquired. Meanwhile, we decided to conduct the disposition based on a comprehensive assessment through qualitative and quantitative evaluations of the properties we own from the viewpoints of profitability and asset value.

<<Property to be acquired: 3rd MINAMI AOYAMA>>

1. Outline of the Acquisition

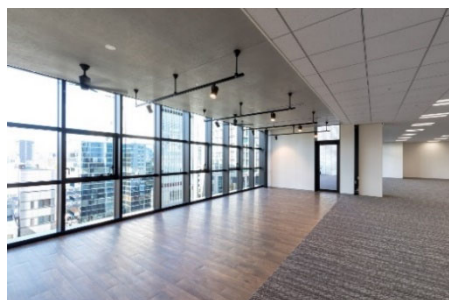
Property name	3rd MINAMI AOYAMA
Acquisition price (planned)	JPY 21,000 million
Seller	Mitsubishi Estate Co., Ltd.
Brokerage	No
Decision date	March 7, 2024
Contract date (scheduled)	March 8, 2024
Transfer date (scheduled)	March 8, 2024
Payment date (scheduled)	March 8, 2024

2. Reason for the Acquisition

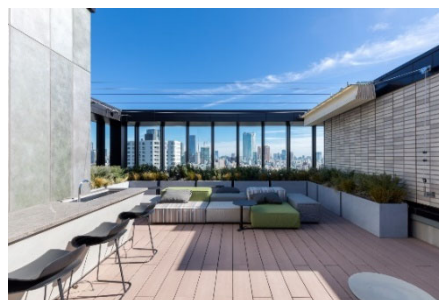
We particularly valued the following factors in our consideration of the property.

(1) Building and facilities

Completed in 2023, this property is a fairly new office building with high-level specifications including a floor area of approximately 860 square meters on each floor, a ceiling height of 2,800 millimeters, and a raised floor height of 100 millimeters. The property has a balcony in the exclusive use area of each floor as a standard specification and a roof-top terrace for exclusive use of tenants to accommodate diverse workstyles of tenants.



(Balcony in exclusive use area of tenants)



(Roof-top terrace)

In addition, the property adopts various initiatives designed to reduce environmental footprints including the use of renewable energy for 100 percent of its energy needs. It also has an emergency power generator that can work for 48 hours as a BCP measure. It is a highly competitive property in terms of both the environment and disaster mitigation.

(2) Location

The property is located in the Aoyama area. Surrounded by places rich in greenery and art galleries, it is a highly sought-after area by a wide range of companies including those in apparel, design, and IT industries. The property is four minutes on foot from the Gaemmae subway station and within walking distance from the Omote-sando and Aoyama-itchoe stations, allowing easy access to multiple subway lines. Given the planned large-scale joint redevelopment project in the vicinity of the property, the value of the area is expected to increase further.

3. Description of the Property to Be Acquired

Property name	3rd MINAMI AOYAMA	
Type of specified asset	Domestic real estate	
Type of ownership		
Land	<ul style="list-style-type: none"> • Land ownership of 12 lots • Leasehold right for 19 lots (Quasi-co-ownership: 77.76/100) 	
Building	Ownership (co-ownership interest: 77.76/100)	
Location (Building address)	3-1-34 Minami-aoyama, Minato-ku, Tokyo	
Usage	Offices and shops	
Area		
Land	2,411.62 m ² (area stated in the real property registry)	
Building	14,376.28 m ² (gross floor area stated in the real property registry)	
Structure	S/SRC structure with flat roof, 13 stories above the ground and 1 basement level	
Typical floor area	863 m ²	
Completion	February 2023	
Matters related to earthquake resistance	PML: 2.2% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)	
Mortgage	No	
Appraisal value (Date of value)	JPY 21,200 million (as of February 1, 2024)	
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.	
Outline of lease		
Total number of tenants	13	
Total rent revenues	JPY 405 million per year	
Security deposit	JPY 872 million	
Total leased area	6,469 m ²	
Net rentable area	7,781 m ²	
Occupancy rate	March 31, 2023	44.5 %
	September 30, 2023	58.1 %
	Scheduled acquisition date	83.1 %
Special notes	<ul style="list-style-type: none"> • Agreements with the other joint building owner address matters concerning preferential negotiation rights for the transfer of ownership in the property. 	
(Note)	<ul style="list-style-type: none"> • The land of the property consists of 19 lots, of which we will acquire the ownership of 12 lots (1,240.90 sqms). Leasehold rights will be established on these lots for JRE and the other joint building owner. The quasi-co-ownership of the leasehold right for all 19 lots, including the 12 mentioned earlier, will be allocated at a ratio of 77.76% to JRE and 22.24% to the other joint building owner, respectively. • 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. • “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. • “Total rent revenues” shows the actual revenues for the year through January 2024. • “Total number of tenants,” “Total leased area,” “Net rentable area,” and “Occupancy rate on the 	

scheduled acquisition date” are forecasts as of the scheduled acquisition date.

- NOI (Net Operating Income): JPY 636 million a year (an estimated amount)
- Depreciation: JPY 160 million a year (an estimated amount)

4. Outline of Seller

Corporate name	Mitsubishi Estate Co., Ltd.
Location	1-1-1, Otemachi, Chiyoda-ku, Tokyo
Representative	Atsushi Nakajima, President & Chief Executive Officer
Principal business	Real estate business
Paid-in capital	JPY 142,414 million (as of Dec. 31, 2023)
Date of establishment	May 7, 1937
Net assets	(Consolidated): JPY 2,493,784 million (as of Dec. 31, 2023)
Total assets	(Consolidated): JPY 7,555,268 million (as of Dec. 31, 2023)
Major shareholders and their shareholding percentages (as of September 30, 2023)	The Master Trust Bank of Japan, Ltd. (Trust Acc.): 16.93% Custody Bank of Japan, Ltd. (Trust Acc.): 5.64% Meiji Yasuda Life Insurance Company: 3.31%
Relationship with JRE and JRE-AM	
Capital relationship	Mitsubishi Estate Co., Ltd. (hereinafter referred to as “the company” in this table) is a parent company of JRE-AM, holding a 100% stake as of March 7, 2024. The company also holds 17,120 investment units of JRE as of September 30, 2023, which accounts for 1.20% of the number of units outstanding.
Personnel relationship	Thirteen personnel from the company are on loan to JRE-AM as of March 7, 2024, and JRE’s executive director concurrently serves as corporate advisor of the company.
Business relationship	The company 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	The company falls within the definition of related party of JRE-AM under the Regulation for Terminology, Forms, and Preparation Methods of Financial Statements. Furthermore, the company 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)	3rd MINAMI AOYAMA (3-1-34 Minami-aoyama, Minato-ku, Tokyo)	
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 “Outline of Seller” above	—
Acquisition background and reason, etc.	Newly built in February 2023	—

Acquisition price	— (Note)	—
Acquisition date	— (Note)	—

(Note) The descriptions are omitted because there is no second previous owner, as the building was developed by the previous owner.

6. Transaction with Interested Party

This acquisition falls under a transaction with an interested party. In order for such an acquisition 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

Loans and cash on hand

(Note) For more information about the loans for the acquisition, please refer to the press release “Announcement of Debt Financing” announced today.

2) Settlement method

Lump-sum payment at the time of transfer

8. Summary of Appraisal Report

Property name	3rd MINAMI AOYAMA
Appraisal value	JPY 21,200 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Date of value	February 1, 2024

Item	Amount	Description
Value indicated by the income approach	21,200,000	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	21,900,000	
(1) Operating income [(1)-(2)]	1,114,721	
① Potential rental income	1,166,383	Estimated considering the medium- to long-term competitiveness of the subject property and the new rent level of comparable properties
② Vacancy loss	51,662	Recorded based on average vacancy rates of comparable properties, considering the competitiveness of the subject property
(2) Operating expenses	467,195	
Maintenance and management fee	113,427	Estimated based on past and future projected expenses for the maintenance and management fee, and the planned contract for property management fee
Property management fee	(note)	
Utilities expenses	48,019	Estimated based on past and future projected expenses
Repair expenses	6,393	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	8,999	Estimated referring to the leasing cost of comparable properties
Property tax and city planning tax	142,269	Recorded based on the taxes levied for fiscal year 2023 for land, and the estimated taxable standard for the building
Insurance Premium	850	Recorded based on an insurance premium estimate
Other expenses	147,236	Recorded land rent and contingency fund
(3) Net operating income [(1)-(2)]	647,525	

(4) Operating profit on lump-sum payments	0	Excluded from consideration
(5) Capital expenditures	12,188	Estimated based on 0.4% of the building replacement cost, deducting repair costs, and referring to the repair/renewal expenses of comparable properties
(6) Net cash flow [(3)+(4) - (5)]	635,336	
(7) Capitalization rate	2.9%	Estimated referring to the market capitalization rates of comparable properties
Value indicated by the DCF method	20,900,000	
Discount rate	2.7%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.
Terminal capitalization rate	3.1%	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	20,700,000	
Land ratio	77.9%	Including leasehold rights
Building ratio	20.1%	

* 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: JRE Dojima Tower»

1. Outline of the Disposition

Property name	JRE Dojima Tower	
Disposition price (planned)	JPY 33,400 million	
	① JPY 17,034 million (Quasi-co-ownership: 51%)	② JPY 16,366 million (Quasi-co-ownership: 49%)
Estimated book value	JPY 19,824 million	
	① JPY 10,174 million	② JPY 9,650 million
Estimated gain on disposition	JPY 13,220 million	
	① JPY 6,670 million	② JPY 6,540 million
Buyer	Undisclosed (see "Outline of Buyer" below)	
Brokerage	Yes (not an interested party)	
Decision date	March 7, 2024	
Contract date	March 7, 2024	
Transfer date (scheduled)	① April 1, 2024	② October 1, 2024
Payment date (scheduled)	① April 1, 2024	② October 1, 2024
(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. 	

	<ul style="list-style-type: none"> • 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

The Dojima area where the property is located is adjacent to the Umeda area where a large number of office buildings are scheduled to be built in the future. This makes it necessary to closely monitor the property's future location competitiveness and the supply-demand trend. Against this background, JRE-AM compared the benefits of keeping the property over the medium- to long-term as opposed to disposing of it. Based on the results of this consideration, we decided to dispose of the property, partly due to a proposal made by the buyer with the afore-mentioned conditions.

The proceeds from the disposition will likely be spent on repaying borrowings or kept as funds on hand for the future acquisition of investment properties or other purposes.

3. Description of the Property to Be Disposed of

Property name	JRE Dojima Tower		
Type of specified assets	Trust beneficiary interest in domestic real estate		
Type of ownership			
	Land	Ownership	
	Building	Ownership	
Location (Building address)	2-4-27 Dojima, Kita-ku, Osaka City, Osaka Prefecture		
Completion	April 1995		
Usage	Offices and shops		
Appraisal value (Date of value)	JPY 20,300 million (as of February 1, 2024)		
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.		
Outline of lease			
	Total number of tenants	47	
	Total rent revenues	JPY 793 million (for the September 2023 period)	
	Security deposit	JPY 1,348 million	
	Total leased area	27,829 m ²	
	Net rentable area	28,403 m ²	
	Occupancy rate	September 30, 2021	98.4%
		March 31, 2022	95.9%
		September 30, 2022	96.8%
		March 31, 2023	98.0%
		September 30, 2023	98.0%
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 September 2023. 		

4. Outline of Buyer

The buyer's is undisclosed due to the absence of its content.

There are no capital, personnel or business relationships to note between JRE or JRE-AM and the buyer.

In addition, the buyer does not fall under the category of a related party of JRE or JRE-AM.

5. Settlement Method

A lump-sum payment is to be made on each of the transfer dates.

6. Summary of Appraisal Report

Property name	JRE Dojima Tower
Appraisal value	JPY 20,300 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Date of value	February 1, 2024

Item	Amount	Description
Value indicated by the income approach	20,300,000	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	20,600,000	
(1) Operating income [④-②]	1,590,867	
① Potential rental income	1,651,545	Estimated considering the medium- to long-term competitiveness of the subject property and new rent levels of comparable properties
② Vacancy loss	60,677	Recorded based on average vacancy rates of comparable properties, considering the competitiveness of the subject property
(2) Operating expenses	676,733	
Maintenance and management fee	236,619	Estimated based on expenses incurred in previous years for the maintenance and management fee, and expenses of comparable properties for property management fee
Property management fee	(note)	
Utilities expenses	215,000	Estimated referring to expenses incurred in previous years, taking into account occupancy rates
Repair expenses	34,872	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	11,205	Estimated referring to the leasing cost of comparable properties
Property tax and city planning tax	176,721	Estimated based on the taxes levied for fiscal year 2023
Insurance Premium	2,314	Recorded based on insurance premiums incurred in previous years
Other expenses	0	
(3) Net operating income [(1)-(2)]	914,133	
(4) Operating profit on lump-sum payments	13,162	Estimated under the assumption of an investment yield of 1.0%
(5) Capital expenditures	125,818	Estimated referring to the average annual repair/renewal expenses stated in the engineering report
(6) Net cash flow [(3)+(4) - (5)]	801,477	
(7) Capitalization rate	3.9%	Estimated referring to the market capitalization rates of comparable properties
Value indicated by the DCF method	20,200,000	
Discount rate	3.7%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.

	Terminal capitalization rate	4.1%	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	20,500,000	
	Land ratio	80.4%	
	Building ratio	19.6%	

* 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	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>>

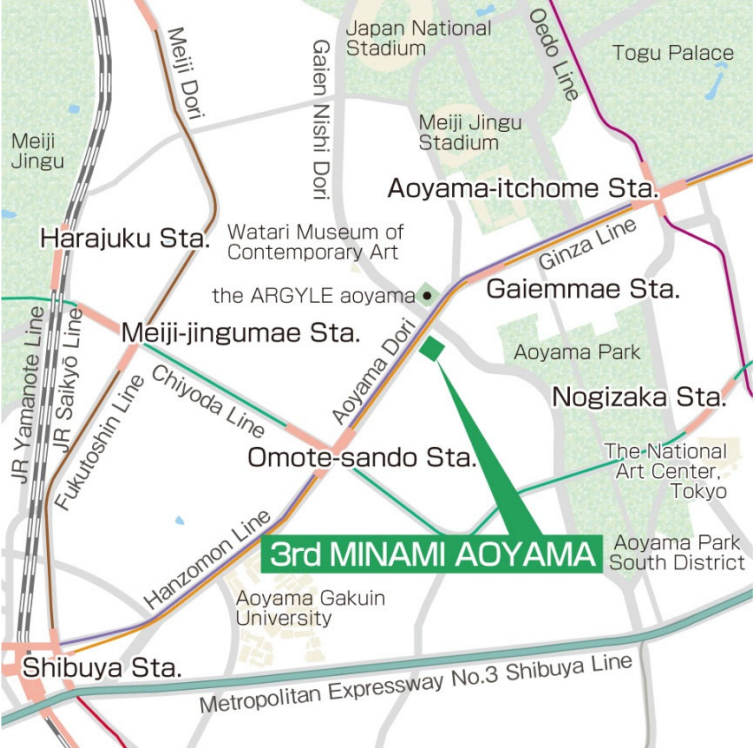
There are no revisions to the operating performance forecasts for the fiscal period ending March 2024 (October 1, 2023 to March 31, 2024) as the acquisition will likely have only a marginal effect on performance.

Regarding forecast revisions for the fiscal period ending September 2024 (from April 1, 2024 to September 30, 2024), please refer to the press release titled "Announcement of forecast revisions for the September 2024 period" announced today.

This is the English translation of the announcement in Japanese dated March 7, 2024.

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

(Reference) map of 3rd MINAMI AOYAMA



(Reference) Exterior of 3rd MINAMI AOYAMA

