

March 18, 2015

To whom it may concern:

&lt;Investment Corporation&gt;

Japan Real Estate Investment Corporation

Noritada Terasawa, Executive Director

(TSE code: 8952)

&lt;Asset Management Company&gt;

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## **Announcement of Issuance of New Units and Secondary Offering of Units**

Announcement is hereby made that Japan Real Estate Investment Corporation (the “Company”) will make issuance of new units and secondary offering of units as resolved at the Board of Directors’ meeting held on March 18, 2015.

### **1. Public offerings of new units**

- (1) Number of units to be : 54,000 units  
newly issued
- (2) Issue price : To be determined  
(Issue price shall be determined at the Board of Directors’ meeting to be held on a date from March 30, 2015 (Mon.) to April 2, 2015 (Thu.) [hereinafter referred to as “price determination date”]. Issue price means the value per unit the Company receives from underwriters.)
- (3) Aggregate amount : To be determined  
of issue price
- (4) Offer price : To be determined  
(Subscription price)
- (5) Subscription method : The new units shall be publicly offered and the Company will have the following companies underwrite all the units on a firm commitment basis: SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Nomura Securities Co., Ltd. and Daiwa Securities Co. Ltd. (hereinafter, collectively referred to as “Underwriters”). The units are being co-managed by SMBC Nikko Securities Inc. (acting as lead manager and sole book runner), Mizuho Securities Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

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In addition, the publicly subscribed offer price shall be tentatively set at the product of the closing price of the investment unit of the Company on the Tokyo Stock Exchange on the price determination date (or nearest date if the closing price is not available on such given date), multiplied by a conversion factor of 0.90 – 1.00 (fractions omitted), and then finally determined taking into account the demand forecast.

- (6) Underwriting agreement : Underwriters shall make payment of the aggregate amount of the issue price to the Company on the payment date. The price difference between the aggregate amount of the offer price (subscription price) and the aggregate amount of the issue price shall be the proceeds of each underwriter, and the Company will not pay an underwriting fee to underwriters.
- (7) Demand forecast (bookbuilding) period : March 26, 2015 (Thu.) through April 2, 2015(Thu.) (maximal length)
- (8) Minimum subscription unit : 1 unit (subscriptions above one unit should be multiples of one unit).
- (9) Subscription period : March 31, 2015 (Tue.) through April 1, 2015 (Wed.)  
The above subscription period may be moved down, taking into account the demand forecast. In that case, the latest subscription period shall be April 3, 2015 (Fri.) through April 6, 2015 (Mon.).
- (10) Payment date : April 6, 2015 (Mon.)  
The above payment date may be moved down, taking into account the demand forecast. In that case, the latest payment date shall be April 9, 2015 (Thu.).
- (11) Delivery date : The next business day after the payment date
- (12) Offer price (subscription price), issue price, and other pertinent matters required for issuance of new units shall be determined at the Board of Directors' meeting to be held hereafter.
- (13) Each clause mentioned above is subject to effectiveness of filing made with the relevant authorities pursuant to the Financial Instruments and Exchange Law.

## 2. Secondary Offering (Through purchase)

- (1) Offerer : SMBC Nikko Securities Inc.
- (2) Number of units to be offered : 3,200 units
- (3) Offer price : To be determined  
(To be decided on the price determination date. The offer price is to be the same as the public offering price (subscription price).)
- (4) Aggregate amount of offer price : To be determined
- (5) Offering method : The offerer will make an offering of 3,200 units of the Company that the offerer purchases from Mitsubishi Estate Co. Ltd., which is an investor of the Company (initial owner), at the purchase price that is to be decided on the date when the offer price is set [hereinafter referred to as the "Purchase by SMBC Nikko Securities, Inc."]. The offerer shall pay the aggregate amount of purchase price on the delivery date,

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and the difference between the aggregate amount of offer price and the aggregate amount of purchase price shall be the net proceeds of the offerer. The initial owner will not pay a fee to the offerer.

- (6) Subscription period : Same as the subscription period in the public offering.
- (7) Delivery date : Same as the delivery date in the public offering.
- (8) Minimum : 1 unit (subscriptions above one unit should be multiples of one unit).  
subscription unit
- (9) If the Purchase by SMBC Nikko Securities, Inc. is canceled, the secondary offering through purchase will also be canceled. In addition, if the secondary offering through purchase is canceled, the Purchase by SMBC Nikko Securities, Inc. will also be canceled.
- (10) Offer price and other pertinent matters required for secondary offering of units shall be determined at the Board of Directors' meeting to be held hereafter.
- (11) Each clause mentioned above is subject to effectiveness of filing made with the relevant authorities pursuant to the Financial Instruments and Exchange Law.

### 3. Secondary Offering (Over-allotment) (Refer to <Reference>1.below)

- (1) Offerer : SMBC Nikko Securities Inc.
- (2) Number of units to be : 3,780 units  
offered  
The above number represents the maximum number of investment units to be offered. The number may decrease, or the secondary offering by over-allotment itself may be canceled, depending on the degree of demand and other conditions. The number of investment units to be offered shall be determined at the Board of Directors' meeting, to be held on the price determination date, in consideration of the degree of demand for the public offering and the secondary offering through purchase and other conditions.
- (3) Offer price : To be determined  
(To be decided on the price determination date. The offer price is to be the same as the public offering price (subscription price).)
- (4) Aggregate amount of : To be determined  
offer price
- (5) Offering method : SMBC Nikko Securities Inc., the lead manager of the public offering, will make an offering of the maximum of 3,780 units of the Company that it borrows from Mitsubishi Estate Co., Ltd., which is an investor of the Company, in consideration of the degree of demand and other conditions for the public offering and the secondary offering through purchase.
- (6) Subscription period : Same as the subscription period in the public offering.
- (7) Delivery date : Same as the delivery date in the public offering.
- (8) Minimum : 1 unit (subscriptions above one unit should be multiples of one unit).  
subscription unit
- (9) Offer price and other pertinent matters required for secondary offering of units shall be determined at the Board of Directors' meeting to be held hereafter.
- (10) Each clause mentioned above is subject to effectiveness of filing made with the relevant authorities pursuant to the Financial Instruments and Exchange Law.

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**4. Issuance of new investment units by third-party allocation** (Refer to <Reference>1.below)

- (1) Number of units to be : 3,780 units  
newly issued
- (2) Allottee and number : SMBC Nikko Securities Inc. 3,780 units  
of units to be issued
- (3) Issue price : To be determined  
(To be decided on the price determination date. The issue price is to be the same as the public offering issue price.)
- (4) Aggregate amount : To be determined  
of issue price
- (5) Subscription period : May 8, 2015 (Fri.)  
(subscription date)
- (6) Payment date : May 11, 2015 (Mon.)
- (7) Minimum : 1 unit (subscriptions above one unit should be multiples of one unit).  
subscription unit
- (8) Issue price and other pertinent matters required for issuance of new units by third-party allotment shall be determined at the Board of Directors' meeting to be held hereafter.
- (9) Units not subscribed within the above mentioned subscription period (subscription date) shall not be issued.
- (10) If the public offering of new units is canceled, issuance of new units by a third-party allotment will also be canceled.
- (11) Each clause mentioned above is subject to effectiveness of filing made with the relevant authorities pursuant to the Financial Instruments and Exchange Law.

<Reference>

**1. Secondary offering by over-allotment, etc.**

A secondary offering by over-allotment may be effected by SMBC Nikko Securities Inc., the lead manager of the public offering, after considering demand for the public offering and also for the secondary offering through purchase and other conditions, up to a limit of 3,780 units borrowed (hereafter "borrowed units") from Mitsubishi Estate Co., Ltd., an investor of the Company (hereafter, "secondary offering by over-allotment"). The number of units to be offered through the secondary offering by over-allotment is the upper limit and may be reduced, or the offering through over-allotment itself may be canceled depending on demand and other conditions.

In order to make SMBC Nikko Securities Inc. acquire the units of the Company necessary to repay the borrowed units by SMBC Nikko Securities Inc. in connection with the secondary offering by over-allotment, the Company resolved at the Board of Directors' meeting held on March 18, 2015 (Wed.) that 3,780 new units of the Company will be issued and allocated to SMBC Nikko Securities Inc. (hereafter "third-party allocation") on May 11, 2015 (Mon.) as a payment date.

In addition, SMBC Nikko Securities Inc. may, within the period commencing on the day immediately following the end of the subscription period for the public offering, the secondary offering through purchase and the secondary offering by over-allotment, ending on May 1, 2015 (Fri) (hereafter, "syndicate cover transaction period"), purchase up to the maximum number of units of the Company sold in the secondary offering by over-allotment on the Tokyo Stock Exchange (hereafter, "syndicate cover transaction") with the aim of repaying the borrowed units. All the units of the Company procured by SMBC Nikko Securities Inc. through the syndicate cover transaction will be allocated to repay the borrowed units.

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In the syndicate cover transaction period, SMBC Nikko Securities Inc. may, at its discretion, choose not to enter into any syndicate cover transaction, or to terminate such a transaction prior to reaching the maximum number of units to be issued in the secondary offering by over-allotment.

Moreover, SMBC Nikko Securities Inc. may effect stabilization transactions in relation to the public offering, the secondary offering through purchase and secondary offering by over-allotment, and allocate all or part of the units of the Company purchased through stabilization transactions, to repayment of the borrowed units.

SMBC Nikko Securities Inc. plans to underwrite the allocation under this issuance of new units by a third-party allocation of a number of units of the Company obtained by deducting the number of units purchased through stabilizing transaction and syndicate cover transaction that are to be used to return the borrowed units, from the number of units to be offered in the over-allotment. For this reason, the units to be issued by third-party allocation may not be subscribed in whole or in part, and as a result, the subscription right will be forfeited and the final number of units with respect to the third-party allocation may be reduced to the same extent, or the issue itself may be canceled.

Whether the secondary offering by over-allotment is exercised and the number of units to be subscribed when the secondary offering by over-allotment is exercised will be determined on the issue price determination date. In case the secondary offering by over-allotment is not exercised, SMBC Nikko Securities Inc. will not borrow units of the Company from the aforementioned investor of the Company. Consequently, in case the secondary offering by over-allotment is not exercised, SMBC Nikko Securities Inc. will not respond or subscribe for the third-party allocation and the subscription right will be forfeited and then issuance of new units by third-party allocation will not take place at all. Similarly, the syndicate cover transaction on the Tokyo Stock Exchange will not be exercised.

## **2. Change of number of units issued and outstanding upon new issuance of units**

Number of units outstanding before the offering	1,251,530
Number of newly issued units by public offering	54,000
Number of units outstanding after public offering	1,305,530
Number of newly issued units by third-party allotment	3,780 (Note )
Number of units outstanding after third-party allotment	1,309,310 (Note )

(Note) These figures are based on the assumption that the new units to be issued by third-party allocation are all applied by SMBC Nikko Securities Inc.

## **3. Reason and purpose for the issuance and the offering of units**

The issuance of new units was decided on for the purpose to acquire specified assets that are conducive to the medium to long term growth of the Company or to repay interest-bearing debts while ensuring financial stability, after considering the situation pertaining to the real estate sales market, the current level of LTV (Interest-bearing debt/Total assets), the trend of the J-REIT market and the level of dividend payout.

## **4. Total amount to be procured, specific use of proceeds and scheduled outlay period**

(1) Total amount to be procured (approximate net balance)

¥ 33,099,273,000 (maximum)

(Note 1) The above figures represent sum of ¥ 30,933,900,000 in net proceeds from the public offering and ¥ 2,165,373,000 maximum net proceeds from the issuance of new units by third-party allocation.

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(Note 2) The above-mentioned amounts are estimated amounts calculated on the basis of the closing price of the Tokyo Stock Exchange as of March 6, 2015.

(2) Specific use of proceeds and scheduled outlay period

The above net proceeds (¥30,933,900,000) raised through the public offering will be applied toward a part of funds to repay short-term loans, redemption of investment corporate bonds (Note1) and a part of funds to acquire specified assets(Note2). If there are some remaining proceeds, it will be used as cash reserves for acquisition of specified assets or for repayment of loans. Also, the maximum net proceeds (¥2,165,373,000) raised through the issuance of new units by third-party allocation on the same day of the resolution of the public offering will be applied toward a part of funds to repay short-term loans. If there are some remaining proceeds, it will be used as cash reserves for acquisition of specified assets or for repayment of loans.

(Note 1) It shall mean the 7th investment corporate bonds totaling ¥ 10 billion that will be matured on April 23, 2015.

(Note 2) It shall mean Shiodome Building that was mentioned in the release, ‘Notice on Acquisition of Domestic Real Estate and Trust Beneficiary Right in Trust of Domestic Real Estate (Amagasaki Front Building etc. 4 buildings in total)’ issued on March 18, 2015.

## 5. Designation of distributees

Not applicable

## 6. Outlook

Please refer to the release, “Notice of Revision of Forecast Results for the 28th Period (September 30, 2015) and Forecast Results for the 29th Period (March 31, 2016)” issued on March 18, 2015 for the outlook.

## 7. Management conditions and states of equity finance during the three most recent fiscal periods

### (1) Management conditions during the three most recent fiscal periods

	24th Period April 1, 2013 through September 30, 2013	25th Period October 1, 2013 through March 31, 2014	26th Period April 1, 2014 through September 30, 2014
Net income per unit (Note 1) (Note 2)	¥7,683	¥7,633	¥7,683
Dividend per unit (Note 1)	¥7,683	¥7,633	¥7,648
Actual payout ratio (Note 3)	99.9%	99.9%	99.9%
Net assets per unit (Note 1)	¥341,178	¥341,128	¥348,871

(Note 1) On the effective day as of January 1, 2014, the Company implemented a 2-for-1 split of the investment unit. Net income per unit, dividend per unit and net assets per unit are described on the assumption that the split was implemented on the beginning of the 24th Period.

(Note 2) The net income per unit of 26th Period is calculated based on the average number of units during the period.

(Note 3) The actual payout ratio is described by rounding down to the first decimal place.

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(2) Recent unit price conditions

i. Changes in unit prices in the three most recent fiscal periods

	24th Period April 1, 2013 through September 30, 2013 (Note)	25th Period October 1, 2013 through March 31, 2014 (Note)	26th Period April 1, 2014 through September 30, 2014 (Note)
Initial price	¥629,500	¥573,500	¥516,000
High	¥706,000	¥587,000	¥595,000
Low	¥472,500	¥502,000	¥509,000
Closing price	¥574,000	¥518,000	¥564,000

(Note) On the effective day as of January 1, 2014, the Company implemented a 2-for-1 split of the investment unit. Each unit price is described on the assumption that the split was implemented on the beginning of the 24th Period.

ii. Changes in unit prices during the last six months

	2014 October	November	December	2015 January	February	March (Note)
Initial price	¥562,000	¥638,000	¥588,000	¥580,000	¥574,000	¥606,000
High	¥608,000	¥638,000	¥607,000	¥650,000	¥617,000	¥615,000
Low	¥540,000	¥558,000	¥552,000	¥573,000	¥554,000	¥562,000
Closing price	¥608,000	¥585,000	¥580,000	¥573,000	¥596,000	¥580,000

(Note ) Unit price for March 2015 indicates the price as of March 17, 2015

iii. Unit prices on the business day immediately prior to the resolution date of the issuance

	March 17, 2015
Initial price	¥587,000
High	¥588,000
Low	¥578,000
Closing price	¥580,000

(3) Equity finance activities during the three most recent fiscal periods

▪ Capital Increase by public offering

Issue date	April 15, 2014
Net proceeds raised through offering	¥27,968,000,000
Issue price	¥486,400
Number of units outstanding before offering	1,188,280 units
Number of newly issued units by offering	57,500 units
Number of units outstanding after offering	1,245,780 units

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Initial use of proceeds	The entire amount will be used for repayment of short-term loans. If there are some remaining proceeds, it will be used as cash reserve for acquisition of specified assets or for repayment of loans
Initial scheduled period of use	On or after April 2014
Status of use as of the date hereof	All amount have been applied to the initial use by the above scheduled period.

▪ Capital Increase by third-party allocation

Issue date	May 14, 2014
Net proceeds raised through offering	¥2,796,800,000
Issue price	¥486,400
Number of units outstanding before offering	1,245,780 units
Number of newly issued units by offering	5,750units
Number of units outstanding after offering	1,251,530 units
Allottee	SMBC Nikko Securities Inc.
Initial use of proceeds	Funds on hand
Initial scheduled period of use	Until May 2014
Status of use as of the date hereof	All amount have been applied to the initial use by the above scheduled period.

## 8. Restriction on disposition and additional issuance of new investment units

- (1) Mitsubishi Estate Co., Ltd. has an agreement with the lead manager, SMBC Nikko Securities Inc. concerning the restriction of selling the investment units from the price determination date to the delivery date and three months subsequent without obtaining prior written consent from SMBC Nikko Securities Inc. (Purchasing by SMBC Nikko Securities Inc. is excluded.)
- (2) The Company has an agreement with the lead manager, SMBC Nikko Securities Inc. concerning the restriction of additional issuance of units from the price determination date to the delivery date and three months subsequent without obtaining prior written consent from SMBC Nikko Securities Inc. (The third party-allocation is excluded.)
- (3) However, SMBC Nikko Securities Inc. has the authority to cancel all or part of this restriction or to shorten such restriction period at its discretion in either case.

This notice is the English translation of the announcement in Japanese dated March 18, 2015. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

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