

July 31, 2023

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 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 as follows:

### 1. Outline of the Acquisition

Property name	Forecast Sakaisujihonmachi (ratio of ownership interest: 100%)
Acquisition price (planned)	JPY 17,215 million
Seller	Undisclosed (see item 4 below)
Brokerage	Yes (not an interested party)
Decision date	July 31, 2023
Contract date (scheduled)	August 1, 2023
Transfer date (scheduled)	August 31, 2023
Payment date (scheduled)	August 31, 2023

(Note) The ratio of ownership interest in the field of “Property name” indicates the percentage of JRE’s ownership interest in the entire property.

### 2. Reason for the Acquisition

JRE will acquire the property pursuant to the policies and types of assets targeted for asset investment stipulated in its Articles of Incorporation. The property is situated in a favorable location in central Osaka, where office buildings are concentrated. It is also built with high-specifications and well functioned. For the foregoing features, JRE decided to acquire the property, determining it will contribute to enhancing the medium- to long-term competitiveness and expanding the asset size.

The property was evaluated for the following points in particular:

(1) Excellent building and facilities

Forecast Sakaisujihonmachi is an office building completed in 2009 with high specification features

including a ceiling height of 2.7 meters, a raised floor of 100 millimeters, and an electrical capacity of 60VA/m<sup>2</sup>. Typical office floors are equipped with a rectangular floor plate of some 940 m<sup>2</sup>, adopting a ceiling grid system and an air conditioning control system that can be divided into up to 15 separate zones. Therefore, the property can accommodate a wide range of tenants' needs in leasing, enabling them to arrange their workplaces with flexibility. In 2018, renovations have been carried out on common areas, thanks to which an entrance on the 1st floor and common areas on the typical floors are refurbished into a quality and sophisticated space. The property also has specifications to reduce environmental burdens such as adoption of an automatic dimming system on each floor and received A rank under the CASBEE Certification, demonstrating high competitiveness in terms of functionality and environment.

(2) Superior location

The property is located in the Sakaisuji-Hommachi area, an area with solid demand for office spaces where various companies have long been concentrated. Right in front of the property is an entrance to Sakaisuji-Hommachi station, where two subway lines are available, thereby offering easy access of one minute walk to the station. It is also eight minutes on foot from Hommachi station, which is a transfer station for three subway lines, including one directly connecting major areas such as Umeda, Shinsaibashi, and Namba. As for car transportation including company cars and taxis, it offers great convenience because it sits on the highly visible corner lot facing the main road, which runs from east to west through the center of Osaka City, as well as being close to an entrance/exit of the Hanshin Expressway.

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

Property name	Forecast Sakaisujihonmachi (ratio of ownership interest: 100%)	
Type of specified asset	Domestic real estate	
Type of ownership		
	Land	Ownership
	Building	Ownership
Location (Building address)	1-6-29 Kyutaromachi, Chuo-ku, Osaka City, Osaka Prefecture	
Usage	Offices and shops	
Area		
	Land	1,666.6 m <sup>2</sup> (area stated in the real property registry)
	Building	16,392.93 m <sup>2</sup> (gross floor area stated in the real property registry)
Structure	S/RC structure with flat roof, 13 stories above the ground and 1 basement level	
Typical floor area	940 m <sup>2</sup>	
Completion	July 2009	
Matters related to earthquake resistance	PML: 4.4% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)	
Mortgage	No	
Appraisal value (Date of value)	JPY 17,300 million (as of July 1, 2023)	
Appraisal institution	Chuo Real Estate Appraisal Co., Ltd.	
Outline of lease		
	Total number of tenants	7
	Total rent revenues	JPY 742 million per year
	Security deposit	JPY 611 million
	Total leased area	10,973 m <sup>2</sup>
	Net rentable area	11,913 m <sup>2</sup>
Occupancy rate	September 30, 2021	100.0%
	March 31, 2022	100.0%
	September 30, 2022	100.0%
	March 31, 2023	100.0%

	Scheduled acquisition date	92.1 %
Special notes	Nothing in particular	
(Note)		
<ul style="list-style-type: none"><li>• “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.</li><li>• “Outline of lease” is based on the data provided by the seller.</li><li>• “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.</li><li>• NOI (Net Operating Income): JPY 604 million a year (an estimated amount)</li><li>• Depreciation: JPY 184 million a year (an estimated amount)</li></ul>		

#### 4. Outline of Seller

The seller’s information is undisclosed due to the absence of its consent.

Note that it does not fall under an interested party of JRE or JRE-AM.

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

This property is not acquired from any party that falls under an interested party of JRE or JRE-AM.

#### 6. Settlement Method

##### 1) Acquisition fund (anticipated)

Loans and cash on hand

(Note) For more information about loans for the acquisition, the details will be announced once they are determined.

##### 2) Settlement method

Lump-sum payment at the time of transfer

#### 7. Future Outlook

There are no revisions to the operating performance forecasts for the fiscal period ending September 2023 (April 1, 2023 to September 30, 2023) and 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.

<Reference>

Performance forecasts announced on May 15, 2023 and actual results for the previous period

	Operating Revenues	Operating Profit	Ordinary Profit	Net Profit	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in excess of earnings per unit
Period ended	JPY million	JPY million	JPY million	JPY million	JPY	JPY
March 31, 2023 (Actual)	37,345	17,041	16,172	16,161	11,667	0
September 30, 2023 (Forecast)	38,610	17,390	16,380	16,370	11,500	0
March 31, 2024 (Forecast)	41,050	19,320	18,260	17,620	11,550	0

## 8. Summary of Appraisal Report

Property name	Forecast Sakaisujihonmachi
Appraisal value	JPY 17,300 million
Appraiser	Chuo Real Estate Appraisal Co., Ltd.
Date of value	July 1, 2023

Item	Amount	Description
Value indicated by the income approach	17,300,000	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	18,600,000	
(1) Operating income [①-②]	809,469	
① Potential rental income	829,889	Estimated considering new rent levels of comparable properties and the current contracts of the subject property
② Vacancy loss	20,420	Estimated considering the occupancy rates of the subject property and comparable properties and market trend forecasts
(2) Operating expenses	187,705	
Maintenance and management fee	52,057 (note)	Estimated referring to the levels of expenses of comparable properties and expenses incurred in previous years on the basis of the current contract for the maintenance and management fee. Estimated based on the current contract referring to the levels of expenses of comparable properties for the property management fee
Property management fee		
Utilities expenses	68,366	Estimated considering fee levels of comparable properties on the basis of expenses incurred in previous years
Repair expenses	6,988	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	6,052	Estimated considering levels of expenses of comparable properties and average tenant turnover period on the basis of current PM contract condition
Property tax and city planning tax	53,333	Recorded on the basis of recent results
Insurance Premium	889	Recorded on the basis of recent results
Other expenses	20	Recorded on the basis of recent results
(3) Net operating income [(1)-(2)]	621,764	
(4) Operating profit on lump-sum payments	7,259	Estimated under the assumption of an interest rate of 1.0%
(5) Capital expenditures	16,782	Estimated referring to the average annual repair/renewal expenses stated in the engineering report
(6) Net cash flow [(3)+(4) - (5)]	612,241	
(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	16,700,000	
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	12,000,000	
Land ratio	75.0%	
Building ratio	25.0%	

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

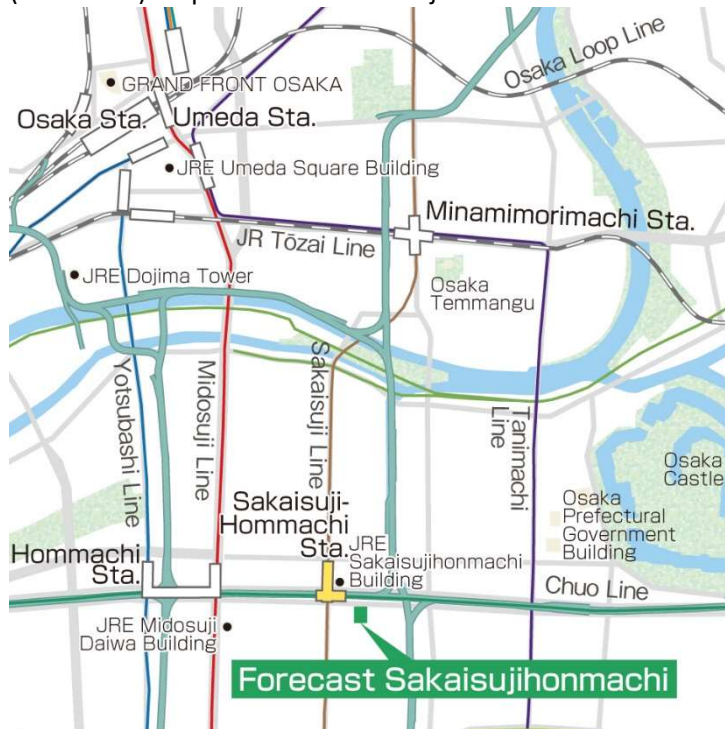
Any special considerations in the reconciliation between indicated values and determination of the final appraisal value	Although there is a discrepancy between values indicated by the income approach and the cost approach, as the demand for the subject property is mainly from investors who put more 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: 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 July 31, 2023.

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

(Reference) map of Forecast Sakaisujihonmachi



(Reference) Exterior view of Forecast Sakaisujihonmachi

