

December 12, 2024

For Immediate Release

Investment Corporation

Japan Real Estate Investment Corporation

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(TSE code: 8952)

Asset Management Company

Japan Real Estate Asset Management Co., Ltd.

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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	Hachioji First Square (additional acquisition) (ratio of ownership interest: 4.0%)
Acquisition price (planned)	JPY 255 million
Seller	Individual (see item 4 below)
Brokerage	Yes (not an interested party)
Decision date	December 12, 2024
Contract date (scheduled)	December 13, 2024
Transfer date (scheduled)	December 13, 2024
Payment date (scheduled)	December 13, 2024

(Note) The ratio of ownership interest in the field of “Property name” indicates the percentage of JRE’s ownership interest in the entire property. JRE has already partially owned this property (80.4%) , and the total ownership ratio will become 84.4% with the additional acquisition.

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. With this additional acquisition, JRE expects to further improve its asset value and the efficiency of building operation and management. Furthermore, the property is situated in a favorable location in Hachioji area and has excellent basic specifications and functionality, which JRE determined will contribute to enhancing its mid- to long-term competitiveness.

The property was evaluated for the following points in particular:

(1) Location

This property is located in the Hachioji area. Hachioji is a core city of the Tama region in Tokyo, and home to a diverse range of companies. The area sees strong demand not only for sales bases that cover a wide area but also from businesses seeking to maintain strong ties to the local community.

This property has excellent access to multiple rail lines, being just a one-minute walk from Keio Hachioji Station on the Keio Line and a four-minute walk from Hachioji Station on the JR Line. Furthermore, it is also convenient for car transportation, benefited from its superior position close to arterial roads such as National Route 16, Chuo Expressway, and Koshu Kaido.

(2) Building and facilities

This property is an office building with high specification features, including a ceiling height of 2.6 meters, and an electrical capacity of 40 VA/m². Typical office floor, measuring approximately 1,100m², can be divided into sections with flexibility to accommodate tenant needs. In addition, there is parking space for 126 cars, making it possible to use the property as a sales base. The property is properly maintained and managed to retain a high level of quality and competitiveness in the area.

3. Description of the Property to Be Acquired

Property name	Hachioji First Square (additional acquisition) (ratio of ownership interest: 4.0 %)	
Type of specified asset	Domestic real estate	
Type of ownership		
	Land	Ownership pertaining to the following: <ul style="list-style-type: none"> • Land ownership of 5 lots (965.99 m²): Co-ownership interest of 8,936,109,504/4,221,762,500,000 • Land ownership of 3 lots (1,273.92 m²): Co-ownership interest of 22,649,141,902,848/422,176,250,000,000 • Land ownership of 2 lots (93.88 m²): Co-ownership interest of 1,449,081,779,568/42,217,625,000,000 • Land ownership of 2 lots (233.50 m²): Co-ownership interest of 688,796,451,768/4,221,762,500,000 • Land ownership (153.75 m²): Co-ownership interest of 21,969,281,560,584/422,176,250,000,000
	Building	• Ownership (co-ownership interest: 4.0/100)
Location (Building address)	3-20-6 Myojincho, Hachioji City, Tokyo	
Usage	Offices, shop	
Area		
	Land	2,989.33 m ² (area stated in the real property registry)
	Building	18,329.98 m ² (gross floor area stated in the real property registry)
Structure	SRC structure with flat roof, 12 stories above the ground and 1 basement level	
Typical floor area	1,107 m ²	
Completion	July 1996	
Matters related to earthquake resistance	PML: 3.9% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)	
Mortgage	No	
Appraisal value (Date of value)	JPY 256 million (as of December 1, 2024)	
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.	

Outline of lease		
Total number of tenants	52	
Total rent revenues	JPY 23 million per year	
Security deposit	JPY 18 million	
Total leased area	503 m ²	
Net rentable area	503 m ²	
Occupancy rate	March 31, 2023	100.0%
	September 30, 2023	93.1%
	March 31, 2024	100.0%
	September 30, 2024	100.0%
	Scheduled acquisition date	100.0%
Special notes	<ul style="list-style-type: none"> • Matters related to preferential negotiation rights for the transfer of an interest in the property is provided for in the co-owners agreement. 	
<p>(Note)</p> <ul style="list-style-type: none"> • The land of the property consists of 18 lots, of which we will acquire the ownership of 13 lots. For the rest 5 lots, 3 of them are owned by JRE, and others are owned by the co-owners of the building. • JRE, upon acquisition of the property, will lease the whole space to be acquired to the master lease company, which will then sublease it to third parties under a master lease contract of a passthrough 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 calculated on the basis of JRE's interest. "Total number of tenants" shows the number pertaining to the entire property. • "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 14 million a year (an estimated amount) • Depreciation: JPY 3 million a year (an estimated amount) 		

4. Outline of Seller

The seller's information is undisclosed due to the absence of the consent for disclosure.

There are no capital, personnel or business relationships to note between JRE or JRE-AM and the seller (including close relatives, companies, etc. majority-owned by such individuals and their close relatives, and their subsidiaries).

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)

Cash on hand

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 March 2025 (October 1, 2024 to March 31, 2025) and the fiscal period ending September 2025 (April 1, 2025 to September 30, 2025) as the acquisition will likely have only a marginal effect on performance.

<Reference>

Performance forecasts announced on November 15, 2024 and actual results

	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
September 30,2024 (Actual)	42,581	20,640	19,523	18,840	12,349	0
March 31,2025 (Forecast)	42,900	20,660	19,410	18,730	2,450	0
September 30,2025 (Forecast)	36,510	15,350	13,970	15,040	2,400	0

(Note) At the Board of Directors' meeting held on November 15, 2024, the Company resolved to conduct a 5-for-1 split of its investment units with an effective date of January 1, 2025.

8. Summary of Appraisal Report

Property name	Hachioji First Square (additional acquisition) (ratio of ownership interest: 4.0%)
Appraisal value	JPY 256 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Date of value	December 1, 2024

Item	Amount	Description
Value indicated by the income approach	256,000	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	258,000	
(1) Operating income [①-②]	23,383	
① Potential rental income	24,448	Estimated considering the current contracts, as well as the medium- to long-term competitiveness of the subject property and new rent levels of comparable properties
② Vacancy loss	1,064	Recorded based on average vacancy rates in previous years and of comparable properties, considering the competitiveness of the subject property
(2) Operating expenses	8,966	
Maintenance and management fee	5,703	Estimated based on expenses incurred in previous years for the maintenance and management fee, and the levels of expenses of comparable properties for property management fee
Property management fee	(note)	
Utilities expenses	0	Included in maintenance and management fee
Repair expenses	441	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	139	Estimated considering levels of expenses of comparable properties
Property tax and city planning tax	2,644	Recorded on the basis of recent results
Insurance Premium	38	Recorded on the basis of recent results
Other expenses	0	
(3) Net operating income [(1)-(2)]	14,417	
(4) Operating profit on lump-sum payments	159	Estimated under the assumption of an interest rate of 1.0%
(5) Capital expenditures	2,957	Estimated referring to the average annual repair/renewal expenses stated in the engineering report
(6) Net cash flow [(3)+(4) - (5)]	11,619	

	(7) Capitalization rate	4.5%	Estimated referring to the market capitalization rates of comparable properties
	Value indicated by the DCF method	255,000	
	Discount rate	4.3%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.
	Terminal capitalization rate	4.7%	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	355,000	
	Land ratio	77.3%	
	Building ratio	22.7%	

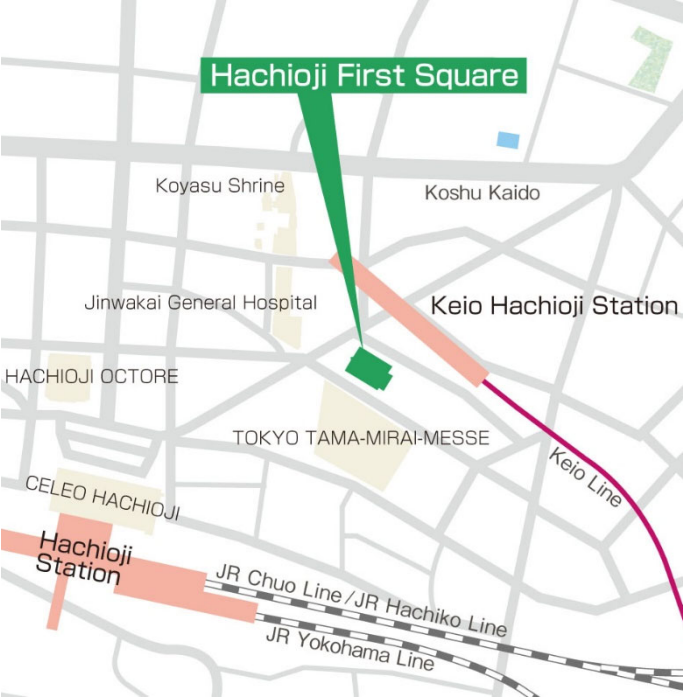
* In thousands of yen (amounts are rounded down to the nearest thousand yen)

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.

This is the English translation of the announcement in Japanese dated December 12, 2024.
No assurance or warranties are given for the completeness or accuracy of this English translation.

(Reference) map of Hachioji First Square



(Reference) Exterior view of Hachioji First Square

