NEWS RELEASE

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For Immediate Release

Investment Corporation
Japan Real Estate Investment Corporation
Yutaka Yanagisawa, Executive Director
(TSE code: 8952)
Asset Management Company
Japan Real Estate Asset Management Co., Ltd.
Naoki Umeda, President & CEO
Contact: Masaru Motooka
Executive Officer & General Manager
Planning Department
Phone: +81-3-3211-7951

Announcement of Proposal to Revise the Asset Management Fee Structure

Japan Real Estate Investment Corporation ("JRE") hereby announces that it has resolved at its Board of Directors' meeting held today to propose a revision of the asset management fee structure as described below (the "Revision") as an agenda for approval at the 12th General Unitholders' Meeting scheduled for December 10, 2020. JRE proposes the Revision, which is in relation to the asset management fees payable to Japan Real Estate Asset Management Co., Ltd. ("JRE-AM"), its asset management company, in order to align JRE-AM's incentives more closely with the unitholders' interests, given the growing importance of enhancing the portfolio through property replacement ("portfolio property replacement").

1. Current Status of JRE

- JRE was listed in September 2001 as the first REIT in Japan to pioneer the industry. Since then, JRE has steadily expanded its portfolio size and achieved stable growth through secure asset investment.
- Utilizing the three engines of internal growth, external growth and financial strategy, JRE has achieved a period-on-period increase in its dividends for 12 straight periods through the fiscal period ended March 2020, its most recent accounting period. The strong office leasing market has also bolstered this achievement.
- During these periods, JRE has also maintained and enhanced the competitiveness of its portfolio, the source of its profitability, by not only working to expand the portfolio size through new acquisitions but also conducting replacement of the portfolio properties.

2. Importance of Portfolio Property Replacement

- While the properties owned by JRE have sufficient competitiveness at present, the roles and functions required for office buildings have been changing over recent years, against the backdrop of such factors as "progress of information technology," "growing environmental consciousness," and “diversified working styles.” The change is being accelerated by the novel coronavirus infection (COVID-19) pandemic under way.

- JRE foresees that what is required for office spaces will change with the times; instead of simply being a workplace, they will need to evolve into a venue where people gather, exchange and create business.
- With the growing environmental consciousness becoming a major factor in recent years, JRE has announced its CO_2 reduction targets through 2030. As the quality of office buildings is assessed from increasingly varied viewpoints, JRE anticipates stronger voices of tenants requesting buildings with higher environmental performance and enhanced comfort.
- The average building age of JRE’s portfolio is 18.4 years (as of March 2020), kept at roughly the same level of 17.9 years upon listing, despite the passage of approximately 20 years since listing. When looked at individually, however, an increasing number of properties are aging correspondingly. Going forward, it will become necessary for JRE to focus on the competitiveness of individual buildings over the medium to long term, and more cautiously determine the balance between its repair and renovation investments and their returns.
- In aiming to offer office buildings of choice and build a portfolio of choice with an eye on the changes in the business environment under new trends, JRE believes it essential to more strategically conduct portfolio property replacement from a proactive perspective of enhancing the portfolio.

3. Returning to Unitholders the Gains on Sales of Real Estate through Portfolio Property Replacement

- Through portfolio property replacement, JRE-AM will endeavor to enhance the competitiveness of JRE’s portfolio in the first place. At the same time, management of the gains or losses on sales of real estate associated with the property replacement will become important in maximizing unitholders’ interests.
- While striving to maximize the gains on sales of real estate when selling a property and internally retaining part of them, JRE-AM intends to continuously return the gains to JRE's unitholders by appropriating part of the internal reserves from the viewpoint of stabilizing dividends.
- Going forward, JRE-AM will establish guidelines on the handling of internal reserves, and will continuously distribute a certain portion of the internal reserves to unitholders in principle, starting in the fiscal period ending March 2021. (Please refer to the attachment for more details.)

Looking ahead, as the importance of portfolio property replacement for JRE will increase even further, JRE-AM will conduct more sophisticated asset management by simultaneously “enhancing the portfolio competitiveness” and “maximizing gains on sales of real estate and returning them to unitholders.”

For JRE-AM to achieve this goal, JRE will reorganize the components of the incentives in the asset management fee structure, in an effort to maximize unitholders’ interests.

4. Changes to the Asset Management Fee Structure

(1) Description of the Revision

Current fee structure

<NOI-linked fee> NOI (Net Operating Income) x 4.0%

<Distribution-linked fee> Profit before taxes, etc. x 2.5% x (the dividend per unit for the

relevant fiscal period / the arithmetic average of the dividend per unit during the most recent six fiscal periods including the relevant fiscal period)

New fee structure (proposed)

<NOI-linked fee>	NOI (Net Operating Income) x 4.0% *No change made
<Distribution-linked fee I>	(Profit before taxes, etc. - gains or losses on sales of real estate for the relevant fiscal period) x 2.5% x (the dividend per unit after deducting the gains or losses on sales of real estate for the relevant fiscal period / the arithmetic average of the dividend per unit after deducting the gains or losses on sales of real estate during the most recent six fiscal periods including the relevant fiscal period) <Mainly linked to leasing business profit, which is a distributable resource of a regular nature>
<Distribution-linked fee II>	Gains or losses on sales of real estate for the relevant fiscal period x 12.5% (If the figure is negative, the distribution-linked fee II shall be zero.) <Linked to the gains on the sale of real estate (the positive value after taking into account the gains and losses on the sale of real estate), which is a distributable resource of a transient nature>

(For details of the calculation formula, please refer to “Announcement of Amendments to the Articles of Incorporation and the Election of Directors” dated today.)

- The revision is to introduce a new type of fee (distribution-linked fee II) that is linked to the gains on the sale of real estate (the positive value after taking into account the gains and losses on the sale of real estate), which is a distributable resource of a transient nature.
- The gains on sales of real estate have the aspect of realization of the value accumulated through management, as well as the aspect of the present value of the profit expected in the future. As these two aspects are appropriated at a time, the amount accounts for a very large portion not only on a short-term basis but also in estimating the profitability over the medium to long term.
- As described in 2. Importance of Portfolio Property Replacement, JRE believes it should consider portfolio property replacement more strategically going forward. Accordingly, clearly positioning the gains on sales of real estate as a component of the incentives in the asset management fee structure should help maximize the gains on sales of real estate and return them to unitholders, thereby leading to maximization of unitholders’ interests.

(2) Impact of the Revision, etc.

- The Revision is related to gains or losses on sales of real estate, and its impact is marginal for the fiscal periods with no accrual of such gains or losses.
- In the current J-REIT industry, when comparing the ratio of the annual amount of asset management fees (excluding fees related to acquisition and disposition) to total assets, the average figure of all J-REITs is around 0.48%. In contrast, the figure for JRE is at a relatively low level of around 0.28%.
- If the Revision is applied to the past results, the fee amount would slightly increase mainly in the fiscal periods when gains on sales of real estate were accrued. However, the amount is expected to mainly remain at a low level similar to the current one. (Please refer to the attachment.)

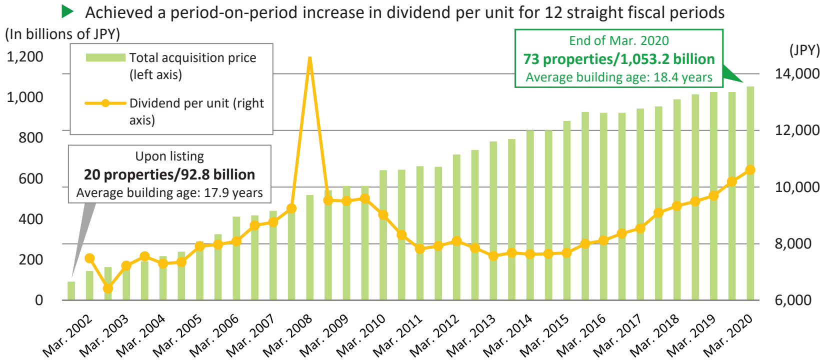
5. Future Outlook

- If the Revision is approved and passed at JRE's 12th General Unitholders' Meeting scheduled for December 10, 2020, the new asset management fee structure will be applied for the fiscal period ending September 2021 (April 1, 2021 - September 30, 2021) and thereafter.
- Accordingly, the Revision will pose no impact on the forecast performance of JRE for the fiscal period ending March 2021 (October 1, 2020 - March 31, 2021) announced earlier.
- Moreover, as described in 3. Returning to Unitholders the Gains on Sales of Real Estate through Portfolio Property Replacement, JRE plans to distribute a certain portion of internal reserves from the balance each fiscal period in principle, starting in the fiscal period ending March 2021 (October 1, 2020 – March 31, 2021), but this will pose only a marginal impact on the forecast performance.

Current Status of JRE and Importance of Portfolio Property Replacement

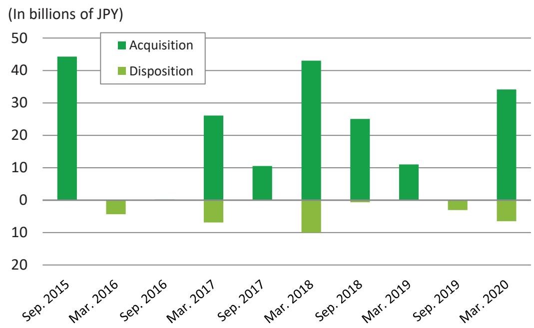
Portfolio size and dividend per unit

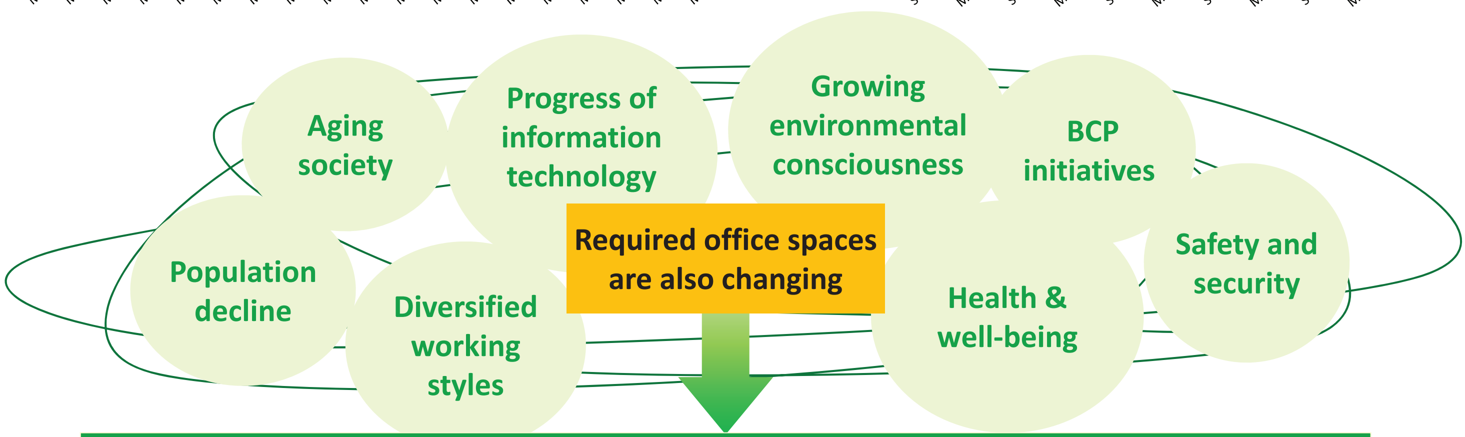
- Achieved a period-on-period increase in dividend per unit for 12 straight fiscal periods



Recent property acquisitions and dispositions

- Achieved continuous growth while conducting portfolio property replacement



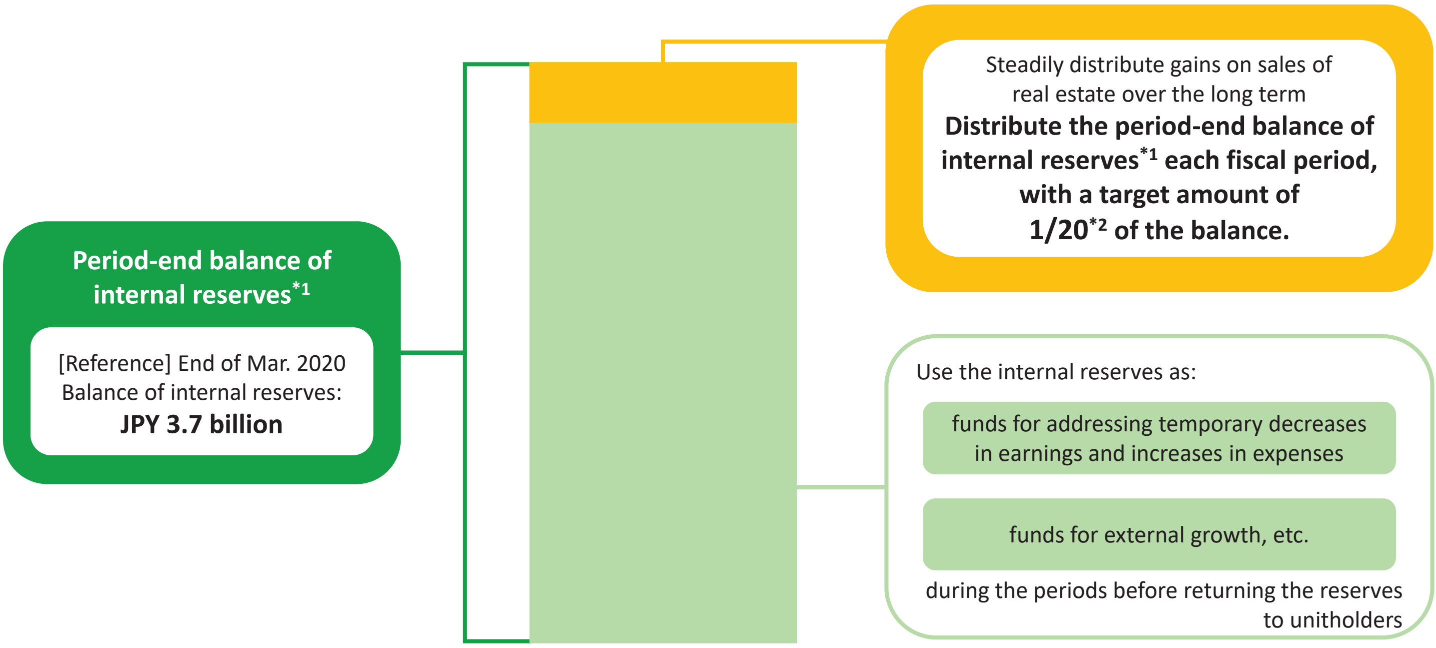


Promote more strategic property replacement in pursuit of office buildings of choice and a portfolio of choice.

Guidelines on Handling Internal Reserves

Internally reserve gains on sales of real estate for stable distributions over the long term into the future, and proactively return them to unitholders.

Illustrative drawing of internal reserves and return of gains on sales of real estate



*1 Refers to the amount obtained by adding and subtracting “Provision of reserve for tax purpose reduction entry” and “Reversal of reserve for tax purpose reduction entry” (not including a reversal amount pertaining to the distribution aimed at the above-said return of internal reserves) on the Statements of cash distributions of a relevant fiscal period, respectively, to and from the “Reserve for tax purpose reduction entry” and accompanying “Deferred tax liabilities” on the Balance sheets of the relevant fiscal period.

*2 Distribution from the period-end balance of internal reserves may be reduced from the amount equivalent to 1/20 of the balance or may not be conducted at all when gains on sales of real estate are accrued in the relevant fiscal period and distribution of dividend from the gains on sales of real estate is anticipated, or when there are significant changes in the economic conditions, among other cases.

Revision to the Asset Management Fee Structure and Its Impact

Description of the revision

Current fee structure

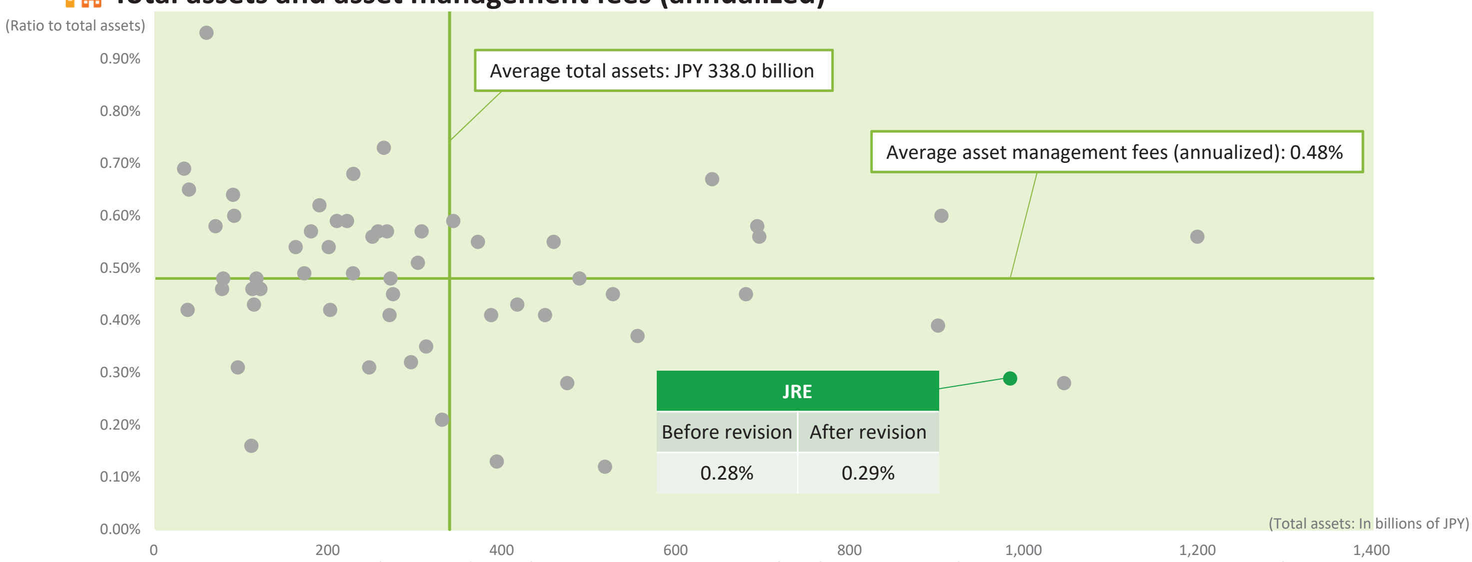
① NOI-linked fee	NOI × 4.0%
② Distribution -linked fee	Profit before taxes, etc.* x 2.5% x (DPU for the current fiscal period* / average DPU for the most recent 6 fiscal periods) *Includes gains or losses on sales of real estate

Fee structure after the revision (proposal)

① NOI-linked fee	NOI × 4.0%
② Distribution -linked fee I (mainly linked to leasing business profit)	Profit before taxes, etc.* x 2.5% x (DPU for the current fiscal period* / average DPU for the most recent 6 fiscal periods) *Excludes gains or losses on sales of real estate
③ Distribution -linked fee II (linked to gains on sales of real estate)	Gains or losses on sales of real estate for the current fiscal period x 12.5% (If the figure is negative, the distribution-linked fee II shall be zero.)

Clarify the incentives to maximize gains on sales by classifying income of a transient nature

Total assets and asset management fees (annualized)



JRE	
Before revision	After revision
0.28%	0.29%

Rounded to the second decimal place. For JRE, the figures both before and after the revision are annualized average of the 6 fiscal periods since the fiscal period ended September 2017 when the current fee system was adopted. For other investment corporations, the figures are estimates calculated by the Asset Management Company based on the actual asset management fees for the most recent 2 fiscal periods described in the data publicized by October 21, 2020. (covering the 58 investment corporations listed by 2018)

Definitions of Terminology

● NOI	Property-related revenues - property-related expenses (excluding depreciation and loss on retirement of non-current assets)
● Profit before taxes, etc.	Profit before income taxes and before deducting asset management fees* and non-deductible consumption taxes (If there are losses brought forward, the amount after covering the entire amount of the losses) *Comprises NOI-linked fee and distribution-linked fee under the current fee structure, and comprises NOI-linked fee, distribution-linked fee I and distribution-linked fee II under the revised fee structure.
● Dividend per unit (DPU)	Profit before taxes, etc. / number of investment units outstanding at end of the current fiscal period