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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 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 dispose of a trust beneficiary interest in domestic real estate as described below.

1. Outline of the Disposition

Property name	Otsuka Higashi-Ikebukuro Building
Disposition price (planned)	JPY 6,025 million
Estimated book value	JPY 3,245 million
Estimated gain on disposition	JPY 2,535 million
Buyer	Tosei Corporation (see item 4 below)
Brokerage	Yes (party other than an interested party)
Decision date	March 29, 2021
Contract date (scheduled)	March 31, 2021
Transfer date (scheduled)	August 31, 2021
Payment date (scheduled)	August 31, 2021

(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. • The estimated book value is the book value estimated as of March 29, 2021, calculated by JRE-AM on the basis of capital expenditures planned to be spent by the transfer date and assumed depreciation, etc. • The estimated gain on disposition indicates an approximate amount as part of the disposition expenses is yet to be determined.
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2. Reason for the Disposition

The roles and functions required for offices have been changing in recent years against the backdrop of the advancement in information technology, growing environmental awareness and diversifying work styles, among other factors, and the COVID-19 pandemic underway is accelerating such changes. Looking ahead, with an eye on the shift of the business environment caused by these new trends, it is essential for JRE to focus on the competitiveness of individual buildings over the medium to long term while considering their respective characteristics, and more cautiously determine the balance between its repair and renovation investments and their returns.

Given the above, JRE has made it a medium- to long-term policy to implement replacement of its portfolio properties more strategically and proactively.

The disposition of Otsuka Higashi-Ikebukuro Building, which will be conducted as part of such asset replacement strategy, has been decided after conducting qualitative and quantitative evaluation in terms of profitability and asset value.

Although the property to be disposed of has maintained a high occupancy rate to date, its location advantage as an office building, such as accessibility from Otsuka Station on the JR Yamanote Line, the nearest station, is relatively weak in the portfolio. In addition, its repair and renewal expenses are expected to increase going forward to maintain and enhance the property's competitiveness over the medium to long term.

Under such a situation, JRE-AM, in consideration of the fact that the buyer made a proposal of the transaction at the planned disposition price as indicated above, examined the property's capacity for future internal growth and compared the advantages of continuing to manage the property over a medium to long term and disposing it now. Consequently, JRE-AM has decided on the disposition.

Furthermore, with regard to the proceeds to be obtained from the disposition, it is assumed that part of the gain will be returned to unitholders as dividends for the fiscal period ending September 2021, and the remaining amount will be applied for dividends for the fiscal period ending March 2022 and thereafter, future acquisition of specified assets or repayment of borrowings.

3. Outline of the Property to Be Disposed

Property name	Otsuka Higashi-Ikebukuro Building	
Type of specified assets	Trust beneficiary interest in real estate	
Type of ownership		
Land	Ownership	
Building	Ownership	
Location (Building address)	2-32-22 Higashi-Ikebukuro, Toshima-ku, Tokyo	
Completion	November 1987	
Usage	Office	
Appraisal value (Date of value)	JPY 4,850,000 thousand (as of March 1, 2021)	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Outline of lease		
Total number of tenants	5	
Total rent revenues	JPY 203,055 thousand (for the September 2020 period)	
Security deposit	JPY 172,949 thousand	
Total leased area	7,253 m ²	
Net rentable area	7,253 m ²	
Occupancy rate	September 30, 2018	100%
	March 31, 2019	100%
	September 30, 2019	100%
	March 31, 2020	100%
	September 30, 2020	100%
Special notes	None	
(Notes)		
• The stated usage indicates the main usage among the descriptions in the real property registry.		
• Outline of lease indicates the figures as of the end of the fiscal period ended September 2020.		

4. Outline of the Buyer

Company name	Tosei Corporation
Address	4-5-4 Shibaura, Minato-ku, Tokyo
Representative	Seiichiro Yamaguchi, President and CEO
Major business areas	Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, and Hotel Business
Paid-in capital	JPY 6,624,890 thousand (as of November 30, 2020)
Date of establishment	February 2, 1950
Net assets	JPY 51,737 million (as of November 30, 2020)
Total assets	JPY 148,071 million (as of November 30, 2020)
Major shareholders and shareholding ratios	Seiichiro Yamaguchi: 27.31% Zeus Capital Limited: 12.71%

(as of November 30, 2020)	QUINTET PRIVATE BANK (EUROPE) S.A. 107704 : 8.00%	
Relationship with JRE or JRE-AM		
Capital relationship	None	
Personnel relationship	None	
Business relationship	None	
Related party or not	No	

5. Settlement Method

Lump-sum payment at the time of transfer

6. Future Outlook

As the scheduled date of transfer of the property belongs to the fiscal period ending September 2021, the disposition will give no impact on JRE's operating performance for the fiscal period ending March 2021 (from October 1, 2020 to March 31, 2021). JRE does not make any revision to the operating performance forecast for the fiscal period ending September 2021 (from April 1, 2021 to September 30, 2021), either, as the disposition will have only a marginal impact on the performance.

For your information, JRE assumes that, for the purpose of stabilizing future dividends, part of the gain from the disposition will be internally reserved as reserve for tax purpose reduction entry and deferred tax liabilities, in application of "Special Provisions for Taxation in Cases of Repurchase of Specified Assets" stipulated in Article 65-7 of the Act on Special Measures Concerning Taxation but to the extent that the conduit requirements stipulated in Article 67-15 in said act are satisfied. In addition, JRE assumes at present that there will be no return of the balance of the internal reserves based on its "Guidelines on Handling Internal Reserves" (Note) for the fiscal period ending September 2021, as dividends from the gain from the disposition are expected to more than cover the amount originally assumed.

Note: The guidelines call for distributing internal reserves to unitholders each fiscal period, with the amount equivalent to one-twentieth of the period-end balance of the reserves as a target. For more details, please refer to "Announcement of Proposal to Revise the Asset Management Fee Structure" dated October 29, 2020.

7. Summary of Appraisal Report

Property name	Otsuka Higashi-Ikebukuro Building
Appraisal value	JPY 4,850 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd
Date of value	March 1, 2021

Item	Amount	Description
Value indicated by the income approach	4,850,000	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	4,830,000	
(1) Operating income [①-②]	376,114	
① Potential rental income	402,441	Recorded on the basis of new rent levels of comparable properties, etc.
② Vacancy loss	26,327	Recorded on the basis of losses incurred in previous years and average vacancy rates of comparable properties, etc.

(2) Operating expenses	120,045	
Maintenance and management fee	35,873 (note)	Estimated to be the equivalent of 3.0% of rental income, referring to expenses incurred in previous years for the maintenance and management fee and cases of comparable properties for property management fee
Property management fee		
Utilities expenses	45,000	Estimated on the basis of expenses incurred in previous years, taking into account occupancy rates
Repair expenses	10,024	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	2,116	Recorded the amount equivalent to the 1.0-month rent for new tenants, in light of cases of comparable properties
Property tax and city planning tax	26,441	Estimated on the basis of the taxes levied for fiscal year 2020
Insurance Premium	590	Recorded the actual insurance premium rate, determining it to be reasonable
Other expenses	0	
(3) Net operating income [(1)-(2)]	256,069	
(4) Operating profit on lump-sum payments	1,666	Estimated under the assumption of an interest rate of 1.0%
(5) Capital expenditures	30,941	Estimated on the basis of the average annual renewal expenses stated in the engineering report
(6) Net cash flow [(3)+(4) - (5)]	226,794	
(7) Capitalization rate	4.7%	Estimated in reference to the market capitalization rates of comparable properties
Value indicated by the DCF method	4,860,000	
Discount rate	4.4%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.
Terminal capitalization rate	4.8%	Estimated in consideration of the marketability against the capitalization rate of the subject property at the end of the holding period
Value indicated by the cost approach	2,580,000	
Land ratio	79.3%	
Building ratio	20.7%	

* 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	The appraisal value is calculated on the basis of the income approach rather than the cost approach. This is because the appraiser determined that the income approach will better weave into the value the profitability, which the said property has actually realized as one multiplex real estate, and better reflect the real market situation comprised of customers' attributes and behaviors.
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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 March 29, 2021.

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