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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.

Shojiro Kojima, President & CEO

Contact: Masaru Motooka

Executive Officer & General Manager

Planning Department

Phone: +81-3-3211-7951

Announcement of Disposition 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 dispose of domestic real estate as described below.

This disposition will take place in three stages, with 25%, 30%, and 45% co-ownership to be disposed on each transfer date.

1. Outline of the Disposition

Property name	Harumi Front		
Disposition price (planned)	JPY 39,110 million		
	① JPY 9,777 million (co-ownership interest: 25%)	② JPY 11,733 million (co-ownership interest: 30%)	③ JPY 17,599 million (co-ownership interest: 45%)
Estimated book value	JPY 24,730 million		
	① JPY 6,280 million	② JPY 7,460 million	③ JPY 10,990 million
Estimated gain on disposition	JPY 13,940 million		
	① JPY 3,360 million	② JPY 4,110 million	③ JPY 6,460 million
Buyer	Undisclosed (see item 4 below)		
Brokerage	Yes (not an interested party)		
Decision date	November 15, 2022		
Contract date	November 15, 2022		
Transfer date (scheduled)	December 1, 2022	April 3, 2023	January 12, 2024

Payment date (scheduled)	December 1, 2022	April 3, 2023	January 12, 2024
(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 today, calculated by JRE-AM on the basis of capital expenditures planned to be incurred by and depreciation estimated as of the transfer date. • The estimated gain on disposition is the estimated amount as of today derived by subtracting the estimated book value and disposition expenses (partially undetermined) from the disposition price. 		

2. Reason for the Disposition

In recent years, the roles and functions expected of offices have been changing against the backdrop of the development of IT, growing environmental awareness, diversifying work styles, and such. With an eye on the shift of the business environment caused by these new trends, JRE has established a policy to strategically replace its portfolio properties from a proactive perspective, focusing on the medium- to long-term competitiveness of the portfolio.

The supply-and-demand trend for offices in the Harumi area where the property is located will require monitoring in the future, and the property's main tenant, which occupies most of the total rented area, is expected to move out. Under these circumstances, JRE-AM conducted a comparative analysis of managing the property over the medium- to long-term and disposing it. Consequently, while taking into consideration that the buyer made a proposal of the transaction under the above conditions, JRE-AM has decided on the disposition.

The disposition's transfer period is split up into three fiscal periods (fiscal periods ending March 2023, September 2023, and March 2024), which will contribute to the leveling of dividends.

Furthermore, it is assumed that cash proceeds from the disposition will be used for repayments of borrowings and retained as cash reserves for future acquisitions of specific assets, etc.

3. Outline of the Property to Be Disposed

Property name	Harumi Front	
Type of specified assets	Domestic real estate	
Type of ownership		
	Land	Ownership
	Building	Ownership
Location (Building address)	2-1-40 Harumi, Chuo-ku, Tokyo	
Completion	February 2012	
Usage	Offices and shops	
Appraisal value (Date of value)	JPY 38,000 million (as of November 1, 2022)	
Appraiser	Chuo Real Estate Appraisal Co., Ltd.	
Outline of lease		
	Total number of tenants	7
	Total rent revenues	JPY 1,141,930 thousand
	Security deposit	JPY 1,863,480 thousand
	Total leased area	33,260 m ²

	Net rentable area	33,369 m ²	
	Occupancy rate	September 30, 2020	100.0%
		March 31, 2021	100.0%
		September 30, 2021	100.0%
		March 31, 2022	100.0%
		September 30, 2022	99.7%
	Special notes	None	
(Notes)	<ul style="list-style-type: none">• The property will be transferred in the form of a trust beneficiary interest in real estate after concluding the real estate management and disposition trust agreement and establishing the trust on December 1, 2022.• “Usage” shows the main entries, among those listed in the real property registry.• “Outline of lease” indicates the figures as of the end of the fiscal period ended September 2022.		

4. Outline of Buyer

The buyer is a domestic special purpose company. However, its name will not be disclosed as consent for disclosure was not obtained. Furthermore, the buyer does not fall under a party having a special interest with either JRE or JRE-AM.

5. Settlement Method

A lump-sum payment is to be made on each of the transfer dates.

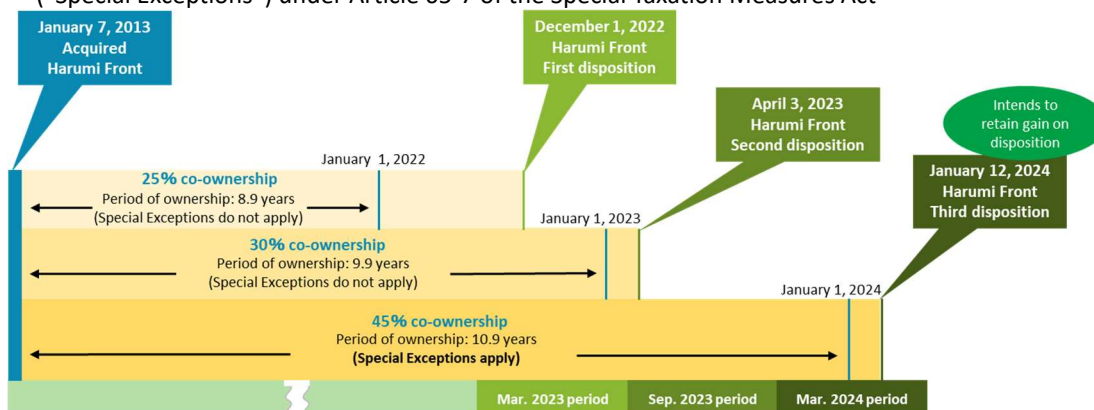
6. Future Outlook

For the operating performance forecasts for the fiscal period ending March 2023 (from October 1, 2022 to March 31, 2023) and the fiscal period ending September 2023 (from April 1, 2023 to September 30, 2023), please see “Financial Results for the Fiscal Period Ended September 2022 (REIT)” announced today.

In addition, as to the gain on disposition, with the purpose of stabilizing future dividends, etc., JRE will partially apply the “Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets” (“Special Exceptions”) under Article 65-7 of the Special Taxation Measures Act.

The Special Exceptions are only applicable if the period of ownership (Note) of the disposed property exceeds 10 years. Of the three dispositions, the dispositions during the fiscal period ending March 2023 and the fiscal period ending September 2023 are not subject to the Special Exceptions and thus will not be retained internally. However, the disposition during the fiscal period ending March 2024 is subject to the Special Exceptions. Therefore, JRE intends to internally retain a portion of the gain on disposition of JPY 6,460 million, assumed to be recorded during the fiscal period ending March 2024, as reserve for tax purpose reduction entry and deferred tax liability.

▼ Applicability of “Exceptions of the Taxation in case of the Replacement by Purchase of Specific Assets” (“Special Exceptions”) under Article 65-7 of the Special Taxation Measures Act



(Note) “Period of ownership” refers to the period from the day following the acquisition date to January 1 of the year in which the disposition takes place.

<Reference>

Forecasts of current period performance (as announced today) and actual results for the previous period

	Operating Revenues	Operating Profit	Ordinary Profit	Net Profit	Dividend per Unit excluding Optimal Payable Distribution	Optimal Payable Distribution per Unit
Period ended	JPY million	JPY million	JPY million	JPY million	JPY	JPY
September 30, 2022 (Actual)	37,654	18,042	17,256	16,790	11,500	0
March 31, 2023 (Forecast)	36,980	16,670	15,810	15,790	11,400	0
September 30, 2023 (Forecast)	37,180	16,570	15,670	15,660	11,300	0

7. Summary of Appraisal Report

Property name	Harumi Front
Appraisal value	JPY 38,000 million
Appraiser	Chuo Real Estate Appraisal Co., Ltd.
Date of value	November 1, 2022

Item	Amount	Description
Value indicated by the income approach	38,000,000	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	39,300,000	
(1) Operating income [①-②]	2,332,415	
① Potential rental income	2,451,053	Estimated considering new rent levels of comparable properties and the current contracts of the subject property
② Vacancy loss	118,638	Estimated considering the occupancy results of the subject property and comparable properties and market trend forecasts
(2) Operating expenses	794,206	
Maintenance and management fee	288,376 (Note)	Estimated referring to the levels of expenses of comparable properties and expenses incurred in previous years on the basis of the current contracts for the maintenance and management fee. Estimated to be the equivalent of 3.5% of rental income, referring to cases of comparable properties on the basis of the current contracts for property management fee.
Property management fee		
Utilities expenses	221,402	Estimated considering fee levels of comparable properties on the basis of expenses incurred in previous years
Repair expenses	39,963	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	14,147	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	171,958	Recorded on the basis of recent results
Insurance premium	2,396	Recorded on the basis of recent results
Other expenses	55,964	Estimated town council fee on the basis of expenses incurred in previous years and recorded shuttle bus contract fee on the basis of current contracts
(3) Net operating income [(1)-(2)]	1,538,209	

(4) Operating profit on lump-sum payments	17,311	Estimated under the assumption of an interest rate of 1.0%
(5) Capital expenditures	102,284	Estimated referring to the average annual repair/renewal expenses stated in the engineering report
(6) Net cash flow [(3)+(4) - (5)]	1,453,236	
(7) Capitalization rate	3.7%	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	37,500,000	
Discount rate	3.5%	Determined based on the standard investment yield for the subject area, while taking into account individuality of the subject property
Terminal capitalization rate	3.9%	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 method	27,800,000	
Land ratio	63.7%	
Building ratio	36.3%	

* 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 November 15, 2022.

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