

March 28, 2023

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 and 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 acquire domestic real estate and trust beneficiary interest in domestic real estate as follows:

### «Properties to be acquired»

Property name	Location	Acquisition Price (planned)	Contract date (scheduled)	Transfer date (scheduled)
Shinjuku Eastside Square (additional acquisition) (ownership interest ratio: 4%)	Shinjuku-ku, Tokyo	JPY 8,500 million	March 30, 2023	March 30, 2023
CIRCLES Hirakawacho (ownership interest ratio: 100%)	Chiyoda-ku Tokyo	JPY 1,780 million		

(Note) The ownership interest ratio in the "Property name" column indicates, with respect to Shinjuku Eastside Square, the percentage of JRE's co-ownership interest in the entire property and its co-ownership interest is to total 39% with this additional acquisition. As for CIRCLES Hirakawacho, it shows the percentage of JRE's ownership interest in the entire property.

### «Reason for the Acquisitions»

JRE will acquire the properties pursuant to the policies and types of assets targeted for asset investment stipulated in its Articles of Incorporation. Both properties are high-specification buildings with great functionality, situated in favorable locations in central Tokyo, which JRE determined will contribute to enhancing its medium- to long-term competitiveness and expanding its asset size. In principle, JRE invests in properties with a total floor area of 3,000 m<sup>2</sup> or more according to its Investment Guidelines. JRE decided to acquire CIRCLES Hirakawacho, however, which does not satisfy the above criterion, in consideration of its competitive edge that can accommodate the diverse ways of working in recent years.

«Property to be acquired: Shinjuku Eastside Square (additional acquisition)»

1. Outline of the Acquisition

Property name	Shinjuku Eastside Square (additional acquisition) (ratio of ownership interest: 4%)
Acquisition price (planned)	JPY 8,500 million
Seller	Mitsubishi Estate Co., Ltd.
Brokerage	No
Decision date	March 28, 2023
Contract date (scheduled)	March 30, 2023
Transfer date (scheduled)	March 30, 2023
Payment date (scheduled)	March 30, 2023

2. Reason for the Acquisition

The property was evaluated for the following points in particular:

(1) Excellent building and facilities

Shinjuku Eastside Square, completed in 2012, is a large-scale office building with high specification features including a ceiling height of 2.85 meters and a raised floor of 130 millimeters, boasting a typical floor plate of approx. 6,000 m<sup>2</sup>, one of the largest of its kind in Tokyo. The property also houses convenient facilities for office workers such as various restaurants and a fitness gym. It is equipped with damping structure and an emergency power generator capable of 72-hour operation as BCP measures, while adopting environmentally responsible specifications such as Low-E multi-layer glass and rainwater recycling facilities. Thus, those features make the property highly disaster resistant and energy efficient. Furthermore, the property offers office workers and visitors a place to take a rest and an easy access to neighboring facilities with some 40% of its whole site covered with green, which contributes to enhancing the community well-being, and hence high competitiveness.

(2) Superior location

The property is located in the Shinjuku area, one of the world's leading cities, where various functions, including business and commercial activities, are concentrated. For its sophisticated and eye-catching design, the property serves as a landmark in the surrounding neighborhood. It is also directly connected to Higashi-Shinjuku subway station and within a walking distance from Shinjuku station, where a number of railway and subway lines are available, enjoying the locational advantage.

3. Description of the Property to Be Acquired

Property name	Shinjuku Eastside Square (additional acquisition) (ratio of ownership interest: 4%)	
Type of specified asset	Trust beneficiary interest in domestic real estate	
Type of ownership		
	Land	Ownership (co-ownership interest: 4/100)
	Building	Ownership (co-ownership interest: 4/100)
Trustee	Mitsubishi UFJ Trust and Banking Corporation	
Location (Building address)	6-27-30, Shinjuku, Shinjuku-ku, Tokyo	
Usage	Offices and shops	
Area		
	Land	25,320.28 m <sup>2</sup> (area stated in the real property registry)
	Building	167,245.46 m <sup>2</sup>

		(gross floor area stated in the real property registry)	
Structure	S/RC structure with flat roof, 20 stories above the ground and 2 basement levels		
Typical floor area	5,914 m <sup>2</sup>		
Completion	March 2012		
Matters related to earthquake resistance	PML: 1.2% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)		
Mortgage	No		
Appraisal value (Date of value)	JPY 8,510 million (as of March 1, 2023)		
Appraisal institution	Japan Real Estate Institute		
Outline of lease			
	Total number of tenants	42	
	Total rent revenues	JPY 387 million per year	
	Security deposit	JPY 328 million	
	Total leased area	4,626 m <sup>2</sup>	
	Net rentable area	4,678 m <sup>2</sup>	
	Occupancy rate	March 31, 2021	100.0 %
		September 30, 2021	98.6 %
		March 31, 2022	98.7 %
		September 30, 2022	98.5 %
		Scheduled acquisition date	98.9 %
Special notes	<ul style="list-style-type: none"><li>• The property is located in an area designated under the district plan of Shinjuku 6-chome Northwest District. When constructing buildings, etc., it is required to comply with the said district plan. Moreover, this property and the adjacent property (6-315-33, Shinjuku, Shinjuku-ku) are jointly certified as a single housing estate, where all the improvements there are considered to be built on a single site, in accordance with the Building Standards Act 86, paragraph 1. The maximum floor-area ratio (“FAR”) of 600% is permitted for the said single housing estate, and 599.99% of the allowance has been used up, in which the FAR of this property and the adjacent property are 608.09% and 219.56% respectively. The owners of those two properties, therefore, are not permitted to do any extension, repair, or renovation work which causes the FAR to go beyond the allowance of 600.0%. To ensure the aforementioned restriction is observed, the agreement between the owners had been concluded, and JRE succeeded to the rights and duties under this agreement from the seller.</li><li>• Matters related to preferential negotiation rights for the transfer of an interest in the property are provided for in the co-owners agreement.</li></ul>		
(Note)			
<ul style="list-style-type: none"><li>• JRE acquired a 14% co-ownership interest in the property on October 1, 2014, 3.6% on January 25, 2017, 13.4% on March 30, 2018, and 4% on March 27, 2020; therefore, JRE’s co-ownership interest is to total 39% with this additional acquisition.</li><li>• JRE, upon acquisition of the property, will lease the whole space to be acquired to Mitsubishi Estate, which will then sublease it to third parties under a master lease contract of a pass-through type.</li><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></ul>			

- “Outline of lease” is based on the data provided by the seller and calculated on the basis of JRE’s interest. “Total number of tenants” shows the number pertaining to the entire property.
- “Total rent revenues” shows the actual revenues for the year through February 2023.
- “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 274 million a year (an estimated amount)
- Depreciation: JPY 53 million a year (an estimated amount)

#### 4. Outline of Seller

Corporate name	Mitsubishi Estate Co., Ltd.
Location	1-1-1, Otemachi, Chiyoda-ku, Tokyo
Representative	Junichi Yoshida, President & Chief Executive Officer
Principal business	Real estate business
Paid-in capital	JPY 142,414 million (as of Dec. 31, 2022)
Date of establishment	May 7, 1937
Net assets	(Consolidated): JPY 2,415,605 million (as of Dec. 31, 2022)
Total assets	(Consolidated): JPY 7,012,769 million (as of Dec. 31, 2022)
Major shareholders and their shareholding percentages (as of March 31, 2022)	The Master Trust Bank of Japan, Ltd. (Trust Acc.): 17.26% Custody Bank of Japan, Ltd. (Trust Acc.): 5.13% Meiji Yasuda Life Insurance Company: 3.19%
Relationship with JRE and JRE-AM	
Capital relationship	Mitsubishi Estate Co., Ltd. (hereinafter referred to as “the company” in this table) is a parent company of JRE-AM, holding a 100% stake as of March 28, 2023. The company also holds 17,120 investment units of JRE as of September 30, 2022, which accounts for 1.24% of the number of units outstanding.
Personnel relationship	Thirteen personnel from the company are on loan to JRE-AM as of March 28, 2023, and JRE’s executive director concurrently serves as corporate advisor of the company.
Business relationship	The company is the previous owner and trust beneficiary of some of the JRE-owned properties. It is also a lessee for JRE. In addition, it has several collateral contracts regarding properties held by JRE.
Applicability to related parties	The company falls within the definition of related party of JRE-AM under the Regulation for Terminology, Forms, and Preparation Methods of Financial Statements. Furthermore, the company falls within the definition of interested persons, etc. of JRE-AM under the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, including later amendments), and also falls within the definition of interested parties under the internal rules of JRE-AM.

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

Property name (Location)	Shinjuku Eastside Square (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	
Status of owners, etc. of the property	Previous owner	Second previous owner
Corporate name	Mitsubishi Estate Co., Ltd.	Shinjuku Rokuchome Specific Purpose Company (TMK)
Relationship with interested parties of JRE	See “Outline of Seller” above	Mitsubishi Estate Co., Ltd., the shareholder of JRE-AM (investment ratio in it: 100%) made a preferred equity investment in the above TMK.
Acquisition background and reason, etc.	Acquisition for the purpose of investment management	Newly built in March 2012
Acquisition price	Omitted as the previous owner owned the property for more than a year	—
Acquisition date	October 2014	—

## 6. Summary of Appraisal Report

Property name	Shinjuku Eastside Square (additional acquisition)
Appraisal value	JPY 8,510 million
Appraiser	Japan Real Estate Institute
Date of value	March 1, 2023

Item	Amount	Description
Value indicated by the income approach	8,510,000	Estimated the value as shown to the left by relating values indicated by the direct capitalization method and the DCF method, deeming both normative to the same degree
Value indicated by the direct capitalization method	8,550,000	
(1) Operating income [①-②]	382,523	
① Potential rental income	416,391	Estimated considering the current average rent and the new rent level, etc. of the subject property
② Vacancy loss	33,868	Recorded based on historical vacancy rates of the subject property and average vacancy rates of comparable properties
(2) Operating expenses	98,980	
Maintenance and management fee	35,612 (note)	Estimated based on expenses incurred in previous years for the maintenance and management fee, and the current contract for property management fee
Property management fee		
Utilities expenses	26,117	Estimated based on expenses incurred in previous years, referring to occupancy rates
Repair expenses	4,454	Estimated according to the average annual expenses stated in the engineering report, referring to expenses incurred in previous years
Leasing cost	3,078	Recorded based on the estimated tenant turnover period

	Property tax and city planning tax	29,298	Estimated on the basis of the taxes levied for fiscal year 2022
	Insurance Premium	421	Recorded based on insurance premiums incurred in previous years, referring to those of comparable properties
	Other expenses	0	No expenses applicable to the said item
	(3) Net operating income [(1)-(2)]	283,543	
	(4) Operating profit on lump-sum payments	3,145	Estimated under the assumption of an investment yield of 1.0%
	(5) Capital expenditures	13,083	Estimated referring to expenses incurred in previous years of comparable properties, the subject property's building age, and the average annual repair/renewal expenses stated in the engineering report
	(6) Net cash flow [(3)+(4) - (5)]	273,605	
	(7) Capitalization rate	3.2%	Determined by adding or subtracting a spread derived from individuality of the subject property to or from the standard cap rate of the area, referring to market capitalization rates of comparable properties
	Value indicated by the DCF method	8,470,000	
	Discount rate	2.9%	Determined referring to capitalization rates of comparable properties, while taking into account individuality of the subject property
	Terminal capitalization rate	3.3%	Determined referring to market capitalization rates of comparable properties, while taking into account the marketability of the subject property at the end of the holding period
	Value indicated by the cost approach	8,110,000	
	Land ratio	85.2%	
	Building ratio	14.8%	

\* 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.

«Property to be acquired: CIRCLES Hirakawacho»

1. Outline of the Acquisition

Property name	CIRCLES Hirakawacho (ratio of ownership interest: 100%)
Acquisition price (planned)	JPY 1,780 million
Seller	Mitsubishi Estate Co., Ltd.
Brokerage	No
Decision date	March 28, 2023
Contract date (scheduled)	March 30, 2023
Transfer date (scheduled)	March 30, 2023
Payment date (scheduled)	March 30, 2023

2. Reason for the Acquisition

The property was evaluated for the following points in particular:

(1) New building and convenient facilities

CIRCLES Hirakawacho has just been completed in 2021 and is one of the series of compact office buildings, “CIRCLES”, developed by Mitsubishi Estate. The property is designed under the concept of “a workplace for gathering and interacting”, combining security and functions required of office buildings with a sophisticated exterior and interior. It also provides those who work there with spaces for them to interact with each other, which would lead to creating new ideas, such as a rooftop terrace for work and rest, and a cafe on the first floor. The property, therefore, has been deemed highly competitive, meeting a wide range of needs, such as head offices for emerging companies who outgrown their shared office space, and branches of leading companies for sales or other specific purposes.

(2) Superior location

Hirakawacho, where the property is located, is on the west side of the Imperial Palace. While in the heart of Tokyo, the area has relatively calm atmosphere, being close to Chidorigafuchi Park and the National Theatre of Japan, etc. The area also enjoys solid demand for office space because of its proximity to Nagatacho and Kasumigaseki, where the supreme court and other government offices are concentrated. The property is three minutes on foot from two subway stations and offers great access to downtown Shibuya and Otemachi, the business center of Tokyo.

3. Description of the Properties to Be Acquired

Property name	CIRCLES Hirakawacho (ratio of ownership interest: 100%)
Type of specified asset	Domestic real estate
Type of ownership	
Land	Ownership
Building	Ownership
Location (Building address)	1-3-13 Hirakawacho, Chiyoda-ku, Tokyo
Usage	Offices and shops
Area	
Land	171.15 m <sup>2</sup> (area stated in the real property registry)
Building	1,095.13 m <sup>2</sup> (gross floor area stated in the real property registry)
Structure	RC structure with flat roof, 11 stories above the ground
Typical floor area	94.37 m <sup>2</sup>

Completion	November 2021	
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 1,810 million (as of March 1, 2023)	
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.	
Outline of lease		
Total number of tenants	10	
Total rent revenues	21 million yen per year	
Security deposit	28 million yen	
Total leased area	885 m <sup>2</sup>	
Net rentable area	979 m <sup>2</sup>	
Occupancy rate	March 31, 2022	23.0 %
	September 30, 2022	32.6%
	Scheduled acquisition date	90.4 %
Special notes	Nothing in particular	
(Note)		
<ul style="list-style-type: none"><li>• JRE, upon acquisition of the property, will lease the whole space to be acquired to Mitsubishi Real Estate Services Co., Ltd., which will then sublease it to third parties under a master lease contract of a pass-through type.</li><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 rent revenues” shows the actual revenues for the year through February 2023.</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 59 million a year (an estimated amount)</li><li>• Depreciation: JPY 21 million a year (an estimated amount)</li></ul>		

#### 4. Outline of Seller

See "Outline of Seller" above.

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

Property name (Location)	CIRCLES Hirakawacho (1-3-13 Hirakawacho, Chiyoda-ku, Tokyo)	
Status of owners, etc. of the property	Previous owner	Second previous owner
Corporate name	Mitsubishi Estate Co., Ltd.	—
Relationship with interested parties of JRE	See "Outline of Seller" above	—
Acquisition background and reason, etc.	Newly built in November 2021	—
Acquisition price	—	—
Acquisition date	—	—



## 6. Summary of Appraisal Report

Property name	CIRCLES Hirakawacho
Appraisal value	JPY 1,810 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd
Date of value	March 1, 2023

Item	Amount	Description
Value indicated by the income approach	1,810,000	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	1,880,000	
(1) Operating income [①-②]	82,276	
① Potential rental income	85,662	Estimated considering the medium- to long-term competitiveness of the subject property and new rent levels of comparable properties
② Vacancy loss	3,385	Recorded based on average vacancy rates of comparable properties, considering the competitiveness of the subject property
(2) Operating expenses	19,610	
Maintenance and management fee	6,184	Estimated based on the current contracts
Property management fee	(note)	
Utilities expenses	3,023	Estimated referring to expenses incurred in previous years of the subject property and comparable properties
Repair expenses	1,133	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	657	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	7,995	Estimated on the basis of the taxes levied for fiscal year 2022
Insurance Premium	81	Recorded referring to an insurance premium estimate
Other expenses	534	Recorded based on supplies and miscellaneous expenses, etc.
(3) Net operating income [(1)-(2)]	62,666	
(4) Operating profit on lump-sum payments	357	Estimated under the assumption of an investment yield of 1.0%
(5) Capital expenditures	1,144	Estimated referring to the average annual repair/renewal expenses stated in the engineering report
(6) Net cash flow [(3)+(4) - (5)]	61,880	
(7) Capitalization rate	3.3%	Estimated referring to the market capitalization rates of comparable properties
Value indicated by the DCF method	1,780,000	
Discount rate	3.1%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.
Terminal capitalization rate	3.5%	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	1,230,000	
Land ratio	60.4%	

	Building ratio	39.6%	
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\* 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.

### «Transaction with Interested Party»

Those transactions fall under a transaction with an interested party. In order for such a transaction to proceed, JRE-AM first goes through the deliberation and approval process at its compliance committee, and then obtains approval from its investment management council pursuant to the rules for interested-party transactions.

### «Settlement Method»

#### 1) Acquisition fund

Shinjuku Eastside Square: Loans

CIRCLES Hirakawacho: Loans

#### 2) Settlement method

Lump-sum payment at the time of transfer

(Note) For more information about loans for the acquisitions, please refer to the press release titled “Announcement of Debt Financing” published today.

### «Future Outlook»

There are no revisions to the operating performance forecasts for the fiscal period ending March 2023 (October 1, 2022 to March 31, 2023) as the acquisitions will likely have only a marginal effect on performance.

Regarding forecast revisions for the fiscal period ending September 2023 (from April 1, 2023 to September 30, 2023) and performance forecasts for the fiscal period ending March 2024 (from October 1, 2023 to March 31, 2024), please refer to the press release titled “Announcement of forecast revisions for the September 2023 period and forecasts for the March 2024 period” announced today.

### <Reference>

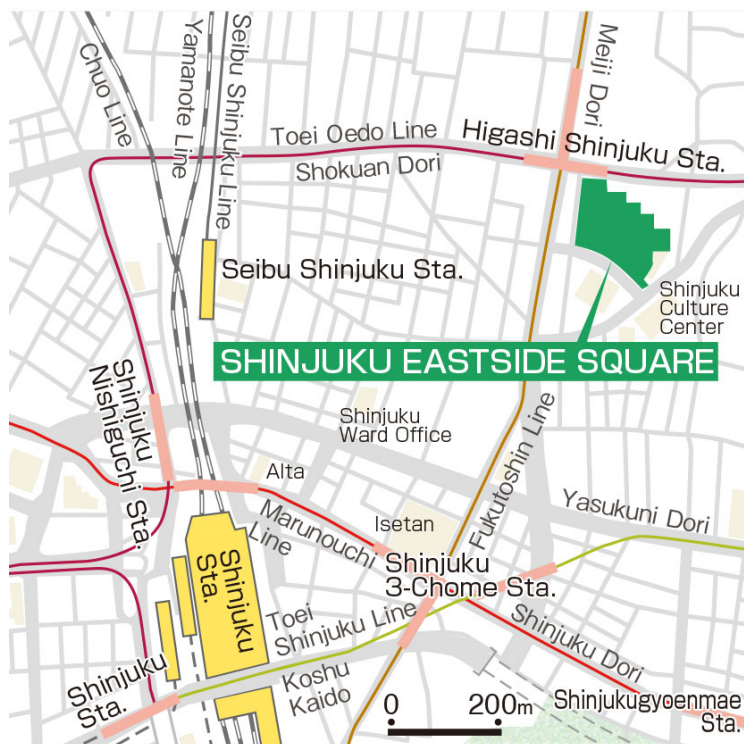
Performance forecasts announced on Nov. 15, 2022 and actual results for the previous period

	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
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

This is the English translation of the announcement in Japanese dated March 28, 2023.

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

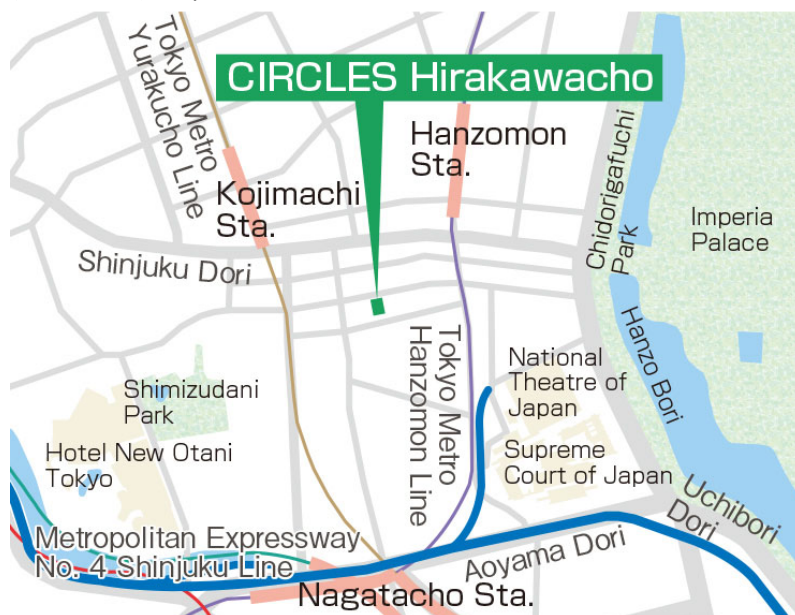
(Reference) map of the Shinjuku Eastside Square



(Reference) Exterior of Shinjuku Eastside Square



(Reference) map of CIRCLES Hirakawacho



(Reference) Exterior of CIRCLES Hirakawacho

