

March 5, 2020

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 Acquisition of Trust Beneficial Interests in Domestic Real estate

Japan Real Estate Investment Corporation (“JRE”) hereby announces that Japan Real Estate Asset Management Co., Ltd. (“JRE-AM”), an asset management company to which JRE entrusts the asset investment, has decided today to acquire trust beneficial interests in domestic real estate as follows:

1. Outline of the acquisition

Name of property	Otemachi Park Building
Acquisition price	¥ 10,175 million
Seller	Mitsubishi Estate Co., Ltd.
Brokerage	No
Date of decision	March 5, 2020
Date of contract	March 5, 2020
Date of transfer (scheduled)	March 24, 2020
Date of payment (scheduled)	March 24, 2020

2. Purpose of the acquisition

JRE-AM has decided to acquire the property after considering its current and future portfolio strategies, while comprehensively taking into account the characteristics of the property, the profitability of the portfolio, and the trend of the real estate market, in conformity with “the basic policy of asset management” and “the investment stance” set forth in the articles of incorporation of JRE.

Otemachi Park Building (“Otemachi Park Bldg.”) is a large, state-of-the-art office complex that is owned by Mitsubishi Estate Co., Ltd. (“Mitsubishi Estate”), located in the greater Marunouchi area (Otemachi, Marunouchi and Yurakucho areas), which is the business center of Tokyo.

Mitsubishi Estate is a parent company of JRE-AM, and recently sounded it out about its purchase intention of Otemachi Park Bldg. JRE-AM has then determined that the said property will enhance JRE’s portfolio

quality and decided to enter into the sale and purchase agreement.

While making the decision, JRE-AM appreciated Otemachi Park Bldg. especially for the following points:

(1) State-of-the-art specification

Otemachi Park Bldg., having been completed in 2017, comes equipped with approx. 3,400 m² of column-free floor plate, where, thanks to the wide-span structure, a view on the side overlooking the Imperial Palace grounds stretches to about 50 meters. These specifications enable its office spaces to have breathtaking views and make them bright and open.



(a view from a typical office floor)

This property offers on its second floor a range of facilities such as a tenant-dedicated lounge facing the Imperial Palace, a fitness gym, a nap room, and a nursery, which are conducive to productivity improvement of those working there, allowing them to work in a more diverse way. Thanks to the aforementioned specifications teaming with strategies for recruiting and retention of tenant companies, the property is expected to continue to enjoy high rental demand going forward.

On the environmental front, the building has achieved the highest level of energy-saving performance in Japan by introducing cutting-edge environmental technologies, which include an air-flow window system that reduces the heat load of a window surface, and an automatic sun tracking blind system, etc.

On the west side of its site, a community square is built, which is made up of the vegetation transplanted from the Imperial Palace Moat. The said square visualizes the ecosystem of the Imperial Palace Moat through monitoring surveys that take place as part of its maintenance work. Awareness-raising activities are also held there where people in the community can learn about biodiversity and environmental symbiosis. Therefore, incorporating this property in JRE's portfolio is deemed strategically effective from an ESG investment perspective as well.



(the community square with lush greenery)



(a water landscape that is a habitat for creatures)

(2) Superior location

This property has excellent access to public transportation connected underground with Otemachi station where there are five subway lines stopping. It also has business advantage owing to its location in Otemachi, an international financial center.

3. Description of the property to be acquired

Name of property	Otemachi Park Building	
Type of specified assets	Trust beneficial interest in domestic real estate	
Type of ownership		
Land	Quasi co-ownership interests in trust beneficial interests pertaining to the following: <ul style="list-style-type: none"> ▪ Land ownership interest (938/1000): 3.32/100 ▪ Land ownership interest (62/1000): 3.32/100 	
Building	Trust beneficial interest in Co-ownership interests of the following sectional ownerships: <ul style="list-style-type: none"> ▪ Office spaces (9th through 20th floor) (48,896.27 m²): 5/100 ▪ Retail spaces (1,431.54 m²): 5/100 ▪ District heating and cooling facilities (1,948.40 m²): 5/100 ▪ Quasi co-ownership interest in leasehold right: 3.32/100 ※ Building ownership share: 2.91%	
Trustee	Mitsubishi UFJ Trust and Banking Corporation	
Location (Building address)	1-1-1, Otemachi, Chiyoda-ku, Tokyo	
Usage	Offices and stores	
Area		
Land	9,338.74 m ² (the area stated in the real property registry)	
Building	146,611.42m ² (the gross floor area stated in the real property registry)	
Structure	S/SRC structure with flat roof, 29 stories above the ground and 5 basement levels	
Typical floor area	3,392 m ²	
Completion	January 2017	
Matters related to earthquake resistance	PML: 1.2% (based on the seismic risk assessment report by Tokio Marine & Nichido Risk Consulting Co., Ltd.)	
Mortgage	No	
Appraisal value (Date of value)	¥ 10,500 million (as of February 1, 2020)	
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.	
Outline of lease		
Total number of tenants	22	
Total leasing business income	¥ 410 million per year	
Security deposit	¥ 328 million	
Total rented area	2,371 m ²	
Net rentable area	2,371 m ²	
Occupancy rate	March 31, 2018	97.0%
	September 30, 2018	100.0%

	March 31, 2019	100.0%
	September 30, 2019	100.0%
	Scheduled date of acquisition	100.0%
Special notes	<ul style="list-style-type: none">• Matters pertaining to a right of first refusal on a transfer of co-owners' interests in the property are provided for.• Matters pertaining to a drag along right over JRE's interest in the property are provided for. The said right is exercised, provided that the one or ones who own more than 95% of the co-ownership interest dispose of its or their interests.	
<p>(Note)</p> <ul style="list-style-type: none">• JRE, upon acquisition of the property, will lease the whole owned space to Mitsubishi Estate, a master lessee, which will then sublease it to third parties under the master lease contract of a pass-through type.• The trust beneficial interests have been established on the land and the building separately.• "Area", "Structure", and "Completion" show the same ones as stated in the real property registry. "Usage", however, indicates the main one, among those listed in the real property registry.• "Outline of lease" are based on the data provided by the seller and calculated on the basis of JRE's interest. "Total number of tenants" shows that of the whole strata title to be sold.• "Total number of tenants", "Total rented area", "Net rentable area", and "Occupancy rate as of the scheduled date of the acquisition" are forecasts as of the scheduled acquisition date.• JRE's interest includes the co-ownership interest of the portions treated as common elements pursuant to the management bylaws.• NOI (Net Operating Income): ¥ 267 million a year (an estimated amount)• Depreciation: ¥ 68 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	¥ 142,147 million (as of Dec. 31, 2019)
Date of establishment	May 7, 1937
Net assets	(Consolidated): ¥ 1,925,804 million (as of Dec. 31, 2019)
Total assets	(Consolidated): ¥ 5,995,817 million (as of Dec. 31, 2019)
Major shareholders and their shareholding percentages (as of Sep. 30, 2019)	The Master Trust Bank of Japan, Ltd. (Shintaku Acc.): 8.31% Japan Trustee Services Bank, Ltd. (Shintaku Acc.): 4.99% Meiji Yasuda Life Insurance Company: 3.42%
Relationship with JRE or the asset management company	
Capital relationship	Mitsubishi Estate is a parent company of JRE-AM, holding a 90% stake in it. Mitsubishi Estate also holds 17,120 investment units of JRE as of September 30, 2019, which accounts for 1.24% of the number of units outstanding.
Personnel relationships	14 personnel from Mitsubishi Estate are on loan to JRE-AM as of March 5, 2020 and JRE's executive director concurrently serves as corporate advisor of Mitsubishi Estate.
Business relationship	Mitsubishi Estate 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	Mitsubishi Estate falls within the definition of related party of JRE-AM under the Regulation for Terminology, Forms, and Preparation Methods of Financial Statements. Furthermore, Mitsubishi Estate 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)	Otemachi Park Building (1-1-1, Otemachi, Chiyoda-ku, Tokyo)	
Status of owners, etc. of the property	The previous owner	The second previous owner
Corporate name	Mitsubishi Estate Co., Ltd.	—
Relationship with interested parties of JRE	See item 4 above “Outline of seller”	—
Acquisition background and reason, etc.	Newly built in January 2017	—
Acquisition price	—	—
Acquisition date	—	—

6. Transaction with interested party

This transaction falls 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 the compliance committee, and then obtains the approval at the investment management council pursuant to the rules for interested party transactions.

7. Settlement method

- 1) Acquisition fund
Cash reserves
- 2) Settlement method
A lump-sum payment at the time of transfer

8. Future outlook

JRE does not make any revision to the operating performance forecasts for the fiscal periods ending March 31, 2020 (from October 1, 2019 to March 31, 2020) and September 30, 2020 (from April 1 2020 to September 30, 2020) because this acquisition will likely have only a marginal effect on the performance.

9. Summary of appraisal report

Name of property	Otemachi Park Building
Appraisal value	¥ 10,500 million
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.
Date of value	February 1, 2020

Item	Amount	Description
Value indicated by the income approach	10,500,000	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	11,100,000 (Note1)	
(1) Operating Income [(1)-(2)]	413,432	
① Potential rental income	425,884	Recorded on the basis of new rent levels of comparable properties, etc.
② Vacancy Loss	12,451	Recorded on the basis of historical vacancy rates and average vacancy rates of comparable properties, etc.
(2) Operating expenses	136,738	
Maintenance and management fee	31,212	Estimated on the basis of the contract for the property management fee, while referring to expenses incurred in previous years for the maintenance management fee
Property management fee	(Note2)	
Utilities expenses	25,570	Estimated on the basis of expenses incurred in previous years and those of comparable properties.
Repair expenses	3,311	Estimated according to the average annual expense stated in the engineering report
Leasing Cost	3,174	Estimated in light of cases of comparable properties
Property tax and city planning tax	72,969	Estimated on the basis of the taxes levied for fiscal year 2019
Insurance Premium	356	Estimated referring to comparable properties
Other expenses	145	Estimated on the basis of expenses incurred in previous years
(3) Net Operating Income [(1)-(2)]	276,693	
(4) Operating profit on lump-sum payments	3,841	Estimated under the assumption of an interest rate of 1%
(5) Capital expenditure	3,821	Estimated referring to renewal expenses incurred by comparable properties
(6) Net Cash Flow [(3)+(4) - (5)]	276,713	
(7) Capitalization rate	2.5%	Estimated referring to market capitalization rates of comparable properties
Value indicated by the DCF method	10,300,000	
Discount rate	2.3%	Estimated comparing with the discount rates pertaining to trading comparable properties and the yields of other financial instruments
Terminal capitalization rate	2.7%	Estimated on the basis of the capitalization rate, while taking into account the marketability of the subject property at the termination of its retention period
Value indicated by the cost approach	11,400,000	
Land ratio	84.2%	
Building ratio	15.8%	

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

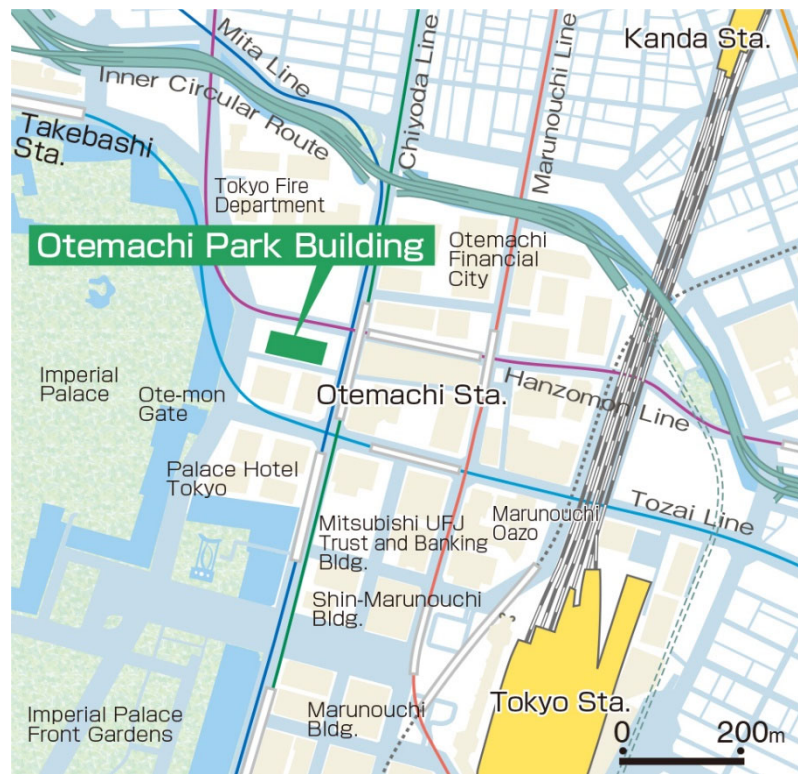
Any special considerations in the reconciliation between indicated values and determination of the final appraisal value	Nothing in particular
--	-----------------------

(Note1): The figures shown in items (1) – (6), which are calculated for the value indicated by the direct capitalization method, are subject to JRE's co-ownership interest in the property of 5%. They are calculated by multiplying the corresponding values shown in the appraisal report, which are subject to the portion of the property to be sold (the office spaces, the retail spaces, and the DHC facilities), and the common elements, the leasehold right, and the trust beneficial interests that are all linked with the said portion, by JRE's interest of 5 %.

(Note2): The property management company did not consent to us disclosing the property management fee. If the fee for the subject property is disclosed, it might potentially affect other deals done by the company, which could affect JRE in effective delegation of property management services under our policy on property maintenance and management. This could in turn undermine the interests of our unit holders. Accordingly, the maintenance-management fee and property management fee are shown in the total amount for presentation.

This is the English translation of the announcement in Japanese dated March 5, 2020.
No assurance or warranties are given for the completeness or accuracy of this English translation.

(Reference) map of Otemachi Park Building



(Reference) Exterior of Otemachi Park Building

