



October 6, 2017

For Immediate Release

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Japan Real Estate Investment Corporation  
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## **Announcement of Domestic Real Estate Property Acquisition**

Japan Real Estate Investment Corporation (“JRE”) announced today that Japan Real Estate Asset Management Co., Ltd., an asset management company to which JRE entrusts the management of its assets, decided on October 6, 2017 the additional acquisition of the following domestic real estate property.

### **1. Outline of the acquisition**

- 1) Property to be acquired: Domestic Real Estate Property  
Land: Freehold (share of co-ownership)  
Building: Co-ownership of compartmentalized building units  
\* Retail units  
\* Share of ownership of the property: 1.86142% (Note 1)
- 2) Name of property: AER
- 3) Location: Sendai City, Miyagi Prefecture
- 4) Acquisition price: ¥333,091,893
- 5) Scheduled acquisition date: November 1, 2017
- 6) Seller: One individual (Note 2)
- 7) Method of Settlement: Lump sum payment at closing of acquisition
- 8) Acquisition funds: Cash in hand (scheduled)

Note 1: Share of ownership of the property represents the shares of common area stipulated in the bylaw.

Note 2: Details of the seller are undisclosed due to non-approval of disclosure by the seller.

Note 3: JRE acquired a share of ownership of the property on September 1, 2015 and owns 55.35443% share (including 88.3% share of co-ownership of the office units). Following the above acquisition of an additional share, JRE’s share of ownership of the property will be 57.21585%. Please refer to the release “Notice on Acquisition of Domestic Real Estate” dated August 11, 2015, as for details regarding acquisition of a share of ownership of the property on September 1, 2015.

## 2. Reasons for the acquisition

JRE will acquire the property based on the basic policies and investment attitude for acquisition under the Articles of Incorporation of JRE. In particular, the following points have been highly evaluated in the decision of the acquisition.

### (1) Superior location

This property has a strong advantage as a business hub as it provides high convenience transportation due to its direct connection to Sendai station through an elevated pedestrian walkway (only two-minute walk). Also the property has an easy access to the Tohoku expressway and the Sendai airport.

### (2) Improvement of property operation and management efficiency, along with asset value

JRE is aware of the characteristics and details of operation and management of this property as a compartmentalized building unit title holder. In addition, the operation of retail units significantly influences the value of office units, as retail and office units are operated in an integrated manner. Therefore, the increased share of ownership of retail units by JRE will enhance operation and management efficiency, and which will raise the asset value.

## 3. Details of the property to be acquired

The relevant information is as set out below. The information on “usage”, “area”, “structure” and “completion date” is derived from the land registry.

### (1) Details of real estate property (additional acquisition)

Location		
Address shown in land registry	Land	1-33-11, Chuo, Aoba-ku, Sendai City, Miyagi Prefecture
	Building	1-33-11, Chuo, Aoba-ku, Sendai City, Miyagi Prefecture
Address	1-3-1, Chuo, Aoba-ku, Sendai City, Miyagi Prefecture	
Usage	Retail (Note 1)	
Area		
Land	6,591.05 m <sup>2</sup> (Total land area of the property site)	
Building	73,186.57 m <sup>2</sup> (Total floor space of the entire property)	
Structure	Steel-framed, steel-framed reinforced concrete structure, flat roof, Above ground: 31 floors Below ground: 3 floors	
Completion date	March 1998	
Architect	OKA SEKKEI, Inc.	
Constructor	JV of Fujita Corporation, Matsumura Gumi Corporation, Mitsubishi Construction Corporation	
Building confirmation and inspection body	Sendai City	
Type of ownership		
Land	Freehold (Co-ownership: 186,142/10,000,000) (Note 2)	
Building	Retail units/11,158.57 m <sup>2</sup> from the first floor to the fourth floor (attached units are included): 660,536/10,000,000. *share of ownership of the property: 1.86142%	
Acquisition price	¥333,091,893	

Appraisal value (Appraisal institution) (Appraisal date)	¥346 million (Daiwa Real Estate Appraisal Co., Ltd.) (as of September 1, 2017)
PML value	1.3% (based on an earthquake risk assessment report issued by Tokio Marine & Nichido Risk Consulting Co., Ltd.)
Collateral	None
Property management company	CROPS, Inc. (Note 3)

Note 1: Usage of the entire property is for offices and retail

Note 2: Share of registered right of site: 1.86142%

Note 3: Details of property management company for the retail units.

Corporate name	CROPS, Inc.
Address of the registered head office	1-3-1, Chuo, Aoba-ku, Sendai City, Miyagi Prefecture
Representative	Toshiaki Shimizu, Representative Director
Paid-in capital	¥60 million
Major shareholder (percentage of total shares)	Sendai City (22%), Nissenren Life Service Co., Ltd. (13%), TOHOKU MISAWA HOMES Co., Ltd. (9%)
Principal business	Operation related to maintenance, management, cleaning and security for building and so forth.
Relationship with JRE or the asset management company	None in particular

(2) Tenant details (additional acquisition)

Total number of tenants	1	
Total leasable space	737 m <sup>2</sup>	
Total leased space	737 m <sup>2</sup>	
Trend in occupancy rates	September 30, 2012	100.0%
	September 30, 2013	100.0%
	September 30, 2014	100.0%
	September 30, 2015	100.0%
	September 30, 2016	100.0%
	Scheduled acquisition date	100.0%
Total rent revenue	Undisclosed due to non-approval of disclosure by tenants	
Security deposit	Undisclosed due to non-approval of disclosure by tenants	
Reference		
NOI(Net Operating Income)	¥ 18 million per year (Estimated under normal leasing operation)	
Depreciation	¥ 4 million per year (Estimated under normal leasing operation)	

(Note)	<p>-JRE, upon acquisition of the building, will lease the retail units to CROPS Inc. by fixed-rent master lease, who will sublease the retail unit space to tenants in the same way as JRE's existing shares.</p> <p>-NOI is an estimated amount under normal operation given the fixed property taxes and city planning taxes based on the terms and conditions of lease agreements as of the scheduled acquisition date, etc.</p> <p>-The above figures, except for NOI and depreciation, are based on the data provided by the seller.</p> <p>-The above figures are calculated for the co-ownership of the compartmentalized building units to be acquired. However, total number of tenants is the total number of tenants of the entire retail units.</p>
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(3) Outline of the engineering report

i. Outline of repair items

Date of report		August 5, 2015
Preparer of report		Shimizu Corporation
Repairing expenses/Capital expenditure for the next 15 years (Annual average for the share of ownership of the property acquired by JRE)	Repairing expenses	¥ 1 million
	Capital expenditure	¥ 2 million
	Total	¥ 3 million

ii. Description concerning utilization status of asbestos  
(Description on the possible use of asbestos)

Sprayed materials with asbestos	None
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**4. Outline of seller**

Details concerning the seller are undisclosed due to non-approval of disclosure by the seller. In addition, there is no capital relationship, personal relationship, business relationship and other relationship with either of JRE or the asset management company.

**5. Information on property owners, etc.**

This domestic property is not acquired from an interested party having a special relationship to JRE and/or the asset management company.

## 6. Outline of brokerage

Broker	Mitsui Fudosan Realty Tohoku Co., Ltd.
Address of the registered head office	3-1-1, Kokubuncho, Aoba-ku, Sendai City, Miyagi Prefecture
Representative	Takashi Annen, CEO
Establishment date	September 22, 1992
Paid-in capital	¥100 million (as of March 31, 2017)
Principal business	Brokerage business, Parking lot business, Consignment sale business, Office & commercial leasing business and other businesses
Relationship with JRE or the asset management company	None in particular
Brokerage fee	Undisclosed due to non-approval of disclosure by the broker

## 7. Acquisition schedule

October 6, 2017	The acquisition of the property was determined.
October 23, 2017	Execution of agreement for the acquisition of the property (scheduled)
November 1, 2017	Closing of acquisition (scheduled)

## 8. Performance projection

As the impact of this property acquisition on JRE's management performance for the March 2018 period from October 1, 2017 to March 31, 2018 is expected to be minor, no revision of the forecast for performance will be made.

## 9. Outline of appraisal report

Name of property	AER
Appraisal value	¥346,000 thousand
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.
Date of appraisal	September 1, 2017

Item	Amount (thousand yen)	General Outline
Capitalization Value	346,000	Estimated with DCF method which is referring future net cash flow and also with the validation of capitalization value by direct method.
Direct Capitalization Value	348,000	
(1) Operating Revenue [①－②]	24,006	
① Annual Rent Revenue	24,006	Estimated considering the background of rent revisions in the past, as well as medium to long term competitiveness etc.
② Amount of Loss due to Vacancy	-	Not estimated as tenant turnover is not assumed.
(2) Operating Expenses	5,701	
Maintenance Cost for Building	526	Maintenance cost for building is estimated based on the actual costs for fiscal 2017. Property management fee is estimated based on 1.0% of the rental profit, etc.
Property Management Fee	(Note)	

Brokerage Fee etc.	-	Tenant turnover is not assumed.
Utilities Expenses	-	Paid by tenants.
Repairing Expenses	858	Applied annual average of repairing expenses of 15 years listed in the engineering reports.
Property and Other Taxes	4,140	Land is estimated based on the actual figures for fiscal 2017 considering taxation burden levels and trend of land prices. Building is based on the actual amount for fiscal 2017.
Casualty Insurance	175	Estimated based on comparable properties' cases.
Other Expenses	-	
(3)Net Operating Income [(1)-(2)]	18,305	
(4)Profit from Managing Security Deposit	50	Assessed at a rate of return on investment of 1%.
(5)Capital Expenditure	2,673	Estimated based on annual average costs of 15 years listed on the engineering reports.
(6)Net Cash Flow [(3)+(4)-(5)]	15,682	
(7)Cap Rate	4.5%	Estimated based on cap rate for urban-type retail facilities, which is carrying a lowest risk, taking account of comparable properties' cases and individual characteristics of the property such as rights etc.
Discounted Cash Flow Value	345,000	
Discount Rate	4.3%	Estimated by referencing the discount rate of transactions of comparable properties and comparing with yields of other financial instruments, etc.
Terminal Cap Rate	4.7%	Estimated with consideration of the marketability etc. of subject property upon termination of analyzing the cap rate.
Integrated Value	410,000	
Ratio of Land	75.8%	
Ratio of Building	24.2%	

\* Values below a thousand yen are cut off.

Any special considerations made in the reconciliation of estimated value and determination of the final appraisal value	None in particular
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(Note) The property management company to the subject property did not provide us with consent to disclose the property management fee. If the amount of this fee for the subject property were to be disclosed, it may impact other transactions of the property management company, which then may affect us in terms of commissioning effective property management service based on our policy of property management and maintenance of our portfolio properties. This could in turn undermine the interest of our unitholders. Accordingly, maintenance costs for the building and property management fees were combined in the above data.

Reference Materials (attachments)

- Information map
- Photo : Exterior of AER
- List of all the properties of JRE after the acquisition of this property

This is the English translation of the announcement in Japanese dated October 6, 2017.  
However, no assurance or warranties are given for the completeness or accuracy of this English translation.

(Reference) Information map



(Reference) Photo: Exterior of AER





(Reference) List of all the properties of JRE after the additional acquisition of this property

Area	Name	Location	Type of asset	Acquisition date	Acquisition price (Note 1) (thousand yen)	Percentage of portfolio	Percentage by area
Tokyo metropolitan area (23 wards)	Kitanomaru Square	Chiyoda-ku, Tokyo	Real property	February 24, 2006	81,555,500	8.5%	75.1%
	MD Kanda Building	Chiyoda-ku, Tokyo	Real property	May 31, 2002	9,520,000	1.0%	
	Kandabashi Park Building	Chiyoda-ku, Tokyo	Real property	August 15, 2002	4,810,000	0.5%	
	Otemachi Financial City North Tower	Chiyoda-ku, Tokyo	Real property	March 31, 2014	15,462,900	1.6%	
	Nibancho Garden	Chiyoda-ku, Tokyo	Real property	April 1, 2005	14,700,000	1.5%	
	Mitsubishi UFJ Trust and Banking Building	Chiyoda-ku, Tokyo	Real property	March 28, 2007	44,700,000	4.7%	
	Burex Kojimachi Building	Chiyoda-ku, Tokyo	Real property	July 29, 2005	7,000,000	0.7%	
	Sanno Grand Building	Chiyoda-ku, Tokyo	Real property	January 31, 2005 April 3, 2006 Total	10,200,000 10,700,000 20,900,000	2.2%	
	Yurakucho Denki Building	Chiyoda-ku, Tokyo	Real property	August 1, 2003	7,200,000	0.8%	
	Kodenmacho Shin-Nihonbashi Building	Chuo-ku, Tokyo	Trust beneficiary right in trust of real property	September 25, 2001	3,173,000	0.3%	
	Kyodo Building (Kayabacho 2Chome)	Chuo-ku, Tokyo	Trust beneficiary right in trust of real property	March 1, 2011	4,410,000	0.5%	
	Burex Kyobashi Building	Chuo-ku, Tokyo	Real property	July 22, 2002	5,250,000	0.5%	
	Ginza 1Chome East Building	Chuo-ku, Tokyo	Trust beneficiary right in trust of real property	March 2, 2015	6,459,000	0.7%	
	Ginza Sanwa Building	Chuo-ku, Tokyo	Real property	March 10, 2005	16,830,000	1.8%	
	Ryoshin Ginza East Mirror Building	Chuo-ku, Tokyo	Real property	March 15, 2005 May 24, 2010 Total	5,353,500 21,645,922 27,999,422	0.8%	
	Harumi Front	Chuo-ku, Tokyo	Real property	January 7, 2013	31,300,000	3.3%	
	Harumi Center Building	Chuo-ku, Tokyo	Real property	December 18, 2007	26,800,000	2.8%	
	Akasaka Park Building	Minato-ku, Tokyo	Real property	November 15, 2011	60,800,000	6.4%	
	Aoyama Crystal Building	Minato-ku, Tokyo	Real property	March 14, 2003	7,680,000	0.8%	
	Clover Shiba-koen	Minato-ku, Tokyo	Trust beneficiary right in trust of real property	January 20, 2015	4,500,000	0.5%	
	Shiodome Building	Minato-ku, Tokyo	Trust beneficiary right in trust of real property	December 19, 2008 January 15, 2010 May 1, 2015 March 30, 2017 September 1, 2017 Total	21,250,000 54,600,000 10,100,000 10,450,000 10,530,000 106,930,000	11.2%	
	Shiba 2Chome Daimon Building	Minato-ku, Tokyo	Trust beneficiary right in trust of real property	September 10, 2001	4,859,000	0.5%	
	Cosmo Kanasugibashi Building	Minato-ku, Tokyo	Trust beneficiary right in trust of real property	September 25, 2001	2,808,000	0.3%	
	Tamachi Front Building	Minato-ku, Tokyo	Real property	March 30, 2017	6,210,000	0.6%	
	Shinjuku Eastside Square	Shinjuku-ku, Tokyo	Trust beneficiary right in trust of real property	October 1, 2014 January 25, 2017 Total	23,100,000 29,650,000 52,750,000	3.1%	
	Shinwa Building	Shinjuku-ku, Tokyo	Real property	September 1, 2004	7,830,000	0.8%	
	Tokyo Opera City Building	Shinjuku-ku, Tokyo	Real property	September 13, 2005 March 24, 2010 Total	9,350,000 22,426,831 31,776,831	3.3%	
	TIXTOWER UENO	Taito-ku, Tokyo	Real property	June 15, 2012	2,000,000	2.3%	
	Higashi-Gotanda 1Chome Building	Shinagawa-ku, Tokyo	Real property	November 1, 2004	5,500,000	0.6%	
	Osaki Front Tower	Shinagawa-ku, Tokyo	Real property	February 1, 2011	12,300,000	1.3%	
	Omor-Eki Higashiguchi Building	Ota-ku, Tokyo	Trust beneficiary right in trust of real property	September 10, 2001	5,123,000	0.5%	
	Shinjuku South Gate Project (tentative name) (land with leasehold interest)	Shibuya-ku, Tokyo	Real property	March 24, 2004 August 23, 2013 Total	6,670,000 -1,170,000 5,500,000	0.6%	
	Yoyogi 1Chome Building	Shibuya-ku, Tokyo	Real property	April 1, 2004	8,700,000	0.9%	
	da Vinci Harajuku	Shibuya-ku, Tokyo	Real property	November 22, 2002	4,885,000	0.5%	
	Jingumae Media Square Building	Shibuya-ku, Tokyo	Real property	October 9, 2003	12,200,000	1.3%	
	Shibuya Cross Tower	Shibuya-ku, Tokyo	Real property	November 30, 2001	34,600,000	3.6%	
	Ebisu Neonato	Shibuya-ku, Tokyo	Real property	November 14, 2003 April 1, 2004 February 18, 2014 Total	3,740,000 3,600,000 10,512,000 14,612,000	1.5%	
	Harmony Tower	Nakano-ku, Tokyo	Real property	February 28, 2005 December 19, 2012 March 27, 2015 Total	8,500,000 5,200,000 2,100,000 11,120,000	1.2%	
	Otsuka Higashi-Ikebukuro Building	Toshima-ku, Tokyo	Trust beneficiary right in trust of real property	September 25, 2001	3,541,000	0.4%	
	Ikebukuro 2Chome Building	Toshima-ku, Tokyo	Trust beneficiary right in trust of real property	September 25, 2001	1,728,000	0.2%	
	Ikebukuro YS Building	Toshima-ku, Tokyo	Real property	August 2, 2004	4,500,000	0.5%	
	Tokyo metropolitan area (excluding 23 wards)	Hachioji First Square	Hachioji City, Tokyo	Real property	March 31, 2005 March 19, 2008 Total	3,300,000 2,379,112 5,679,112	
Saitama Urawa Building		Saitama City, Saitama Prefecture	Real property	September 25, 2001 October 11, 2001 Total	1,232,000 1,342,000 2,574,000	0.3%	
MM Park Building		Yokohama City, Kanagawa Prefecture	Real property	March 24, 2008	37,400,000	3.9%	
Queen's Tower A		Yokohama City, Kanagawa Prefecture	Trust beneficiary right in trust of real property	January 31, 2014	17,200,000	1.8%	
Kawasaki Isago Building		Kawasaki City, Kanagawa Prefecture	Trust beneficiary right in trust of real property	September 25, 2001	3,375,000	0.4%	
Musashi Kosugi STM Building		Kawasaki City, Kanagawa Prefecture	Real property	March 25, 2008	4,000,000	0.4%	
Total: Tokyo metropolitan area					787,760,766	82.4%	82.4%

Area	Name	Location	Type of asset	Acquisition date	Acquisition price (Note 1) (thousand yen)	Percentage of portfolio	Percentage by area
Hokkaido	8・3 Square Kita Building	Sapporo City, Hokkaido	Real property	June 1, 2007	7, 100, 000	0.7%	0.7%
Tohoku region	Jozenji Park Building	Sendai City, Miyagi Prefecture	Real property	January 31, 2005	1, 000, 000	0.1%	3.5%
	Higashi Nibancho Square	Sendai City, Miyagi Prefecture	Real property	January 7, 2013	9, 950, 000	1.0%	
	Sendai Honcho Honma Building	Sendai City, Miyagi Prefecture	Trust beneficiary right in trust of real property	September 25, 2001 June 28, 2006 total	2, 924, 000 2, 500, 000 3, 174, 000	0.3%	
	AER	Sendai City, Miyagi Prefecture	Real property	September 1, 2015 November 1, 2017 total	18, 640, 000 333, 091 18, 973, 091	2.0% 0.0% 2.0%	
Hokuriku region	Kanazawa Park Building	Kanazawa City, Ishikawa Prefecture	Real property	February 28, 2002 March 3, 2003 total	2, 880, 000 1, 700, 000 4, 580, 000	0.5%	0.8%
	Kanazawa Kamitsutsumicho Building	Kanazawa City, Ishikawa Prefecture	Real property	October 3, 2016	2, 780, 000	0.3%	
Chubu region	Nishiki Park Building	Nagoya City, Aichi Prefecture	Real property	October 2, 2006	3, 850, 000	0.6%	3.2%
				November 1, 2006	1, 300, 000		
				June 9, 2014	650, 000		
				April 1, 2016	175, 000		
total	5, 975, 000						
	Nagoya Hirokoji Place	Nagoya City, Aichi Prefecture	Trust beneficiary right in trust of real property	July 31, 2013	8, 567, 000	0.9%	
	Nagoya Hirokoji Building	Nagoya City, Aichi Prefecture	Real property	September 10, 2001	14, 533, 000	1.5%	
	Nagoya Misono Building	Nagoya City, Aichi Prefecture	Real property	August 8, 2003	1, 865, 000	0.2%	
Kinki region	Shijo Karasuma Center Building	Kyoto City, Kyoto Prefecture	Real property	September 3, 2013	4, 400, 000	0.5%	7.5%
	Umeda Square Building	Osaka City, Osaka Prefecture	Trust beneficiary right in trust of real property	April 1, 2015	15, 523, 520	1.6%	
	Shin-Fujita Building	Osaka City, Osaka Prefecture	Trust beneficiary right in trust of real property	September 1, 2008	24, 000, 000	2.5%	
	Sakaisujihonmachi Building	Osaka City, Osaka Prefecture	Real property	September 25, 2001	2, 264, 000	0.4%	
				December 26, 2003	1, 900, 000		
	total	4, 164, 000					
	Midotsuji Daiwa Building	Osaka City, Osaka Prefecture	Trust beneficiary right in trust of real property	September 25, 2001 February 28, 2002 total	6, 934, 000 7, 380, 000 14, 314, 000	1.5%	
	Amagasaki Front Building	Amagasaki City, Hyogo Prefecture	Trust beneficiary right in trust of real property	March 25, 2015	9, 300, 000	1.0%	
Chugoku region	Lit City Building	Okayama City, Okayama Prefecture	Real property	February 1, 2006	4, 650, 000	0.5%	0.8%
	NHK Hiroshima Broadcasting Center Building	Hiroshima City, Hiroshima Prefecture	Real property	March 25, 2004	1, 320, 000	0.3%	
March 3, 2008				1, 450, 000			
total	2, 770, 000						
Kyushu region	Tosei Tenjin Building	Fukuoka City, Fukuoka Prefecture	Real property	September 25, 2001	1, 550, 000	0.2%	1.1%
	Tenjin Crystal Building	Fukuoka City, Fukuoka Prefecture	Real property	June 1, 2005	5, 000, 000	0.5%	
	Hinode Tenjin Building	Fukuoka City, Fukuoka Prefecture	Trust beneficiary right in trust of real property	September 10, 2001	3, 657, 000	0.4%	
Total: Other major cities					167, 825, 611	17.6%	17.6%
Total: Portfolio					955, 586, 378	100.0%	100.0%

(Note1) Acquisition prices are expressed by cutting off the numbers below a thousand.

(Note2) The acquisition price of Shinjuku South Gate Project (land with leasehold interest) represents the acquisition price of the land and building net of the acquisition price of the building on March 24, 2004, as the building section was disposed on August 23, 2013. The name of the property was renamed to “Shinjuku South Gate Project (tentative name) (land with leasehold interest)” from “Nippon Brunswick Building (land with leasehold interest)” on May 15, 2017.

(Note3) The acquisition price of Jingumae Media Square Building is the price of the property on the date of acquisition (October 9, 2003), including the sales cost (¥614 million) of the part of the property that was sold on October 30, 2009.