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# Additional Material on Sale and Acquisition of Properties



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## Property Replacement Project

Certain properties owned by JRF will be replaced in order to implement our strategy to “Further improving portfolio quality and profit performance” announced in Medium-term Business Policy

Sale



8953 Saitama Urawa Building

8953 Saitama Urawa Building, with low NOI cap rate relative to JRF’s portfolio, was sold for **more than appraisal value** in order to **improve NOI cap rate**.

Properties located in **excellent locations** and JRF’s first **land with leasehold interest** owns will be acquired in order to improve the portfolio quality and NOI cap rate after depreciation.

Acquisition



G-Bldg. Shinjuku01



G-Bldg. Jingumae03



G-Bldg. Minami Ikebukuro01



G-Bldg. Shinsaibashi01



LIFE Taiheiji  
(land with leasehold interest)



LIFE Shimodera  
(land with leasehold interest)



LIFE Kishibe  
(land with leasehold interest)

	Sale/Acquisition Price	Annual NOI	Annual NOI after Depreciation
Property Sold	26,100 million yen	1,323 million yen	656 million yen
Total of Properties Acquired	24,377 million yen	1,043 million yen <sup>(Note2)</sup>	934 million yen <sup>(Note2)</sup>

**NOI cap rate after depreciation following property replacement**

**2.5%** (Property Sold)

**3.7%** (Note 3, 4)  
(Total of Properties Acquired)

**Net increase of NOI after depreciation with property replacement**

Total of August 2010 period and February 2011 period

**Approx. 277 million yen** (Note 2, 4) **increase**

NOI after depreciation per unit after unit split is expected to increase **+47 yen** in the 17<sup>th</sup> period, and **+116 yen** in the 18<sup>th</sup> period, respectively.

**\* Annual NOI after depreciation will increase approx. 446 million yen and NOI cap rate will be 4.4% after normalization of operations**

The loss on sale is equivalent to approx. six months’ NOI after depreciation increase at this replacement. We expect the loss to be covered by the increase in NOI after depreciation increase and other matters.

### Depreciation ?

When a building or equipment is acquired for use over a long period of time, the cost of the asset is allocated over its useful life using an expense each period, and this expense is called “depreciation.” For land ownership without buildings, there is no depreciation expense.

### NOI after depreciation ?

Net Operation Income (NOI) is annual revenue less annual expenses, and if depreciation expense is then deducted the figure is “NOI after depreciation.” Because the source of dividends we can pay is NOI after depreciation, the dividend is impacted by the increase or decrease of NOI after depreciation. Because depreciation expense is incurred on buildings owned, there can be a difference in NOI and NOI after depreciation, but for land where no buildings are owned, they will be the same.

Note 1: The rental income for G-Bldg. Jingumae is an estimate that assumes the occupancy rate increases. In addition, the store at LIFE Kishibe (land with leasehold interest) is still under construction, and according to the contract the monthly rent is only 50% of the amount to be paid after construction is completed, so we have assumed the full rental amount after the planned store opening in September 2010.

Note 2: Annual figures are estimates of the totals for the August 2010 and February 2011 periods. The estimate for the August 2010 period is calculated as if we had owned the properties for the full period, since they were acquired mid-period.

Note 3: NOI cap rate after depreciation for the August 2010 and February 2011 periods = (annual NOI – depreciation expense) / expected book value

Note 4: The increase in NOI after depreciation resulting from this sale and acquisition of assets is expected to be +80 million yen in the August 2010 period, 197 million yen in the February 2011 period, and in the August 2011 period when property taxes will be expensed (they are capitalized in the first year after acquisition) the increase is expected to be 179 million yen.