

For Translation Purposes Only

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For Immediate Release

United Urban Investment Corporation
Ikuro Yoshida
Executive Officer
(Securities Code: 8960)

Asset Management Company:
Japan REIT Advisors Co., Ltd.
Norimasa Gaun
President and CEO

Inquiries:
Kenichi Natsume
Chief Financial Officer
TEL: +81-3-5402-3680

Notice on Acquisition of Property (the b roppongi: Additional Acquisition of the Annex)

United Urban Corporation (“United Urban”) acquired “the b roppongi” (the “Property”) in 2014 and has been building its annex (the “Annex”) while renovating the existing building of the Property, as announced in “Notice on Building an Annex to the Property etc., (the b roppongi)” dated October 25, 2017. United Urban hereby announces that acquisition of the Annex with its completion.

1. Outline of the Annex, etc.

- (1) Asset to be Acquired : Trust beneficial interest in real estate (Note 1) (Note 2)
(2) Property Name : the b roppongi (Annex)
(3) Acquisition price : ¥988 million
(The annex building: ¥528 million, the Adjacent Site: ¥460 million (Note 2))
(4) Constructor : Magara Construction Co., Ltd.
(5) Scheduled Acquisition date : December 17, 2018
(6) Financing of Annexed part : Cash on hand

(Notes)

- The asset to be acquired (the “Asset to be Acquired”) will be entrusted to Mizuho Trust & Banking Co., Ltd. as the trustee on scheduled acquisition date.
- United Urban acquired the adjacent site to the b roppongi (acquisition price: ¥460 million, hereinafter, the “Adjacent Site”) dated January 13, 2017 and constructed the Annex on this site and the less utilized land of the Property. The Adjacent Site will be also entrusted together with the building of the Annex. For details of the Adjacent Site, please refer to “Notice Concerning Acquisition of Property (the adjacent site to the b roppongi)” dated November 16, 2016.

2. Outline of the b roppongi

		Before the works (Note 1)	After the works (Note 1) (scheduled)
Property Name		the b roppongi	Same as on the left
Type of the Asset		Trust beneficial interest in real estate	Same as on the left (Note 5)
Trustee		Mizuho Trust & Banking Co., Ltd.	Same as on the left (Note 5)
Period of Trust Agreement		From March 23, 2004 to February 28, 2023	Same as on the left (Note 5)
Location	Lot number (Note 2)	3-212-1・19・23 Roppongi, Minato-ku, Tokyo	3-212-1・18・19・23 Roppongi, Minato-ku, Tokyo
	Residential	3-9-8 Roppongi, Minato-ku, Tokyo	Same as on the left
Access		1-minute walk from Roppongi Station (Tokyo Metro Hibiya Line and Toei Subway Oedo Line)	Same as on the left
Type (Note 2)		Hotel (76 rooms) (Attached building: the garbage	Hotel (114 rooms) (the existing building: 76 rooms, the

		Before the works (Note 1)	After the works (Note 1) (scheduled)
		collection point) (Note 6)	Annex: 35 rooms, increased room due to the existing building renovation: 3 rooms (scheduled))
Site Area (Note 3)	Land	482.37 m ²	551.39 m ²
	Building	3,138.82 m ² (Attached building: 21.12 m ²) (Note 6)	4,349.59 m ²
Structure and Scale (Note 2)		SRC B2F/9F (Attached building: RC) (Note 6)	SRC・S B2F/9F
Type of Ownership	Land	Proprietary Ownership	Same as on the left
	Building	Proprietary Ownership	Same as on the left
Completion Date (Note 4)		January 2001	(1) the existing building: January 2001 (2) the Annex: December 2018
Architect and Structural Strength Calculator		GKK Architects & Engineers <i>Japan Community K.K.</i> (when extended in 2004: M&O Architect Design Consultant)	(1) the existing building: GKK Architects & Engineers <i>Japan Community K.K.</i> (when extended in 2004: M&O Architect Design Consultant) (2) the Annex: Tokyo Division Senior Registered Architect Office, Magara Construction Co., Ltd., Sheep structural engineering laboratory Co., Ltd.
Constructor		Shimizu Corporation (when extended in 2004: <i>K.K. Ono Kogei</i> <i>sha</i>)	(1) the existing building: Shimizu Corporation (when extended in 2004: <i>K.K. Ono Kogei</i> <i>sha</i>) (2) the Annex: Magara Construction Co., Ltd.
Acquisition Price		¥3,500 million	¥4,488 million (The existing building: ¥3,500 million, the Adjacent Site: ¥460 million, the Annex: ¥528 million)
Appraisal Value		¥4,180 million	¥5,710 million
Date of Value Estimate		May 31, 2017	December 7, 2018
Appraisal Agency (Appraisal Method)		Appraisal by Japan Real Estate Institute	Same as on the left
Probable Maximum Loss (PML)		12%	Same as on the left
Collateral		None	Same as on the left
Special Notations		(Rights, etc.) An easement of access has been created on a portion of the Land for the use of the warehouse put on land adjacent to the east side of the Property, and other purposes.	Same as on the left

(Notes)

1. “Before the works” does not include the Adjacent Site. “After the works” includes the Adjacent Site.
2. About each information in the “Location (Lot number),” “Type” and “Structure and Scale”, contents of “Before the works” is described as it appears on the real estate register. Information of “After the works” is described as it appears on the building confirmation certificate dated November 21, 2018.
3. “Site Area”, on “Before the works” is described as it appears on the real estate register. Out of the content “After the works”, “Land” is described as it appears on the real estate register and “Building” is described as it appears on the building confirmation certificate dated November 21, 2018.
4. “Completion Date”, on “Before the works” is described as it appears on the real estate register. That of the Annex is described based on the scheduled date of completion of the Annex.
5. The building of the Annex and the Adjacent Site will be entrusted to Mizuho Trust & Banking Co., Ltd. as the trustee on scheduled acquisition date.
6. “Attached building” was already dismantled on September 6, 2017.

3. The Seller's Profile

The Asset to be Acquired is the Adjacent Site and the annex building constructed on the land which collectively consists of the Adjacent Site and the less utilized land of the Property, and it will not be acquired from special related parties of United Urban or JRA.

4. Transactions with Interested Party and Sponsor/Shareholder

Project Management Company and Property Management Company (Note 1)	Marubeni Real Estate Management Co., Ltd. Marubeni Real Estate Management Co., Ltd. falls under the categories of both the Related Party and the Sponsor/Stakeholder, and therefore, JRA is abiding by the predetermined limitations and procedures of JRA. (Note 2)
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(Notes)

1. Marubeni Real Estate Management Co., Ltd. has been appointed as a project management company and property management company.
2. In view of avoiding the conflicts of interest, JRA has established the restrictions and procedures for transactions, etc. between United Urban and Sponsor/Stakeholder in its internal rules on transactions (including a brokerage of a sale of an asset to be sold) with Sponsor/Stakeholder, which are called the "Investment Committee Rules on Transactions with Sponsor/Stakeholder." The specific rules include the following: (i) When acquiring assets from Sponsor/Stakeholder, the acquisition price shall be the same as or less than the appraisal value; (ii) When selling assets to Sponsor/Stakeholder, the sale price shall be the same as or more than the appraisal value; and (iii) When Sponsor/Stakeholder is involved in the brokerage, etc. of acquisition or sale of assets with good reason, the commission for the acquisition or sale of assets shall be not more than 3% of the acquisition or sale price. In addition, specific procedures set forth are that, when United Urban and Sponsor/Stakeholder engage in a transaction, etc., the deliberation and resolution of the Investment Committee (the JRA's autonomous body that enters into deliberations and makes decisions on asset management and performs asset management evaluations, etc.), which includes a chairman and an outside expert, shall be required, and that the resolution must be passed by the unanimous agreement of the members of Investment Committee who can exercise the voting rights (a member of the Investment Committee who has a special interest in the resolution may not participate in the relevant vote). The agenda of the Investment Committee are to be deliberated at the Compliance Committee, the chairman of which is Chief Compliance Officer who is in charge of compliance duties, and which includes an outside expert, from the view point of the compliance with laws and regulations, guidelines, internal rules, etc. The same shall apply hereinafter.

5. Method of Settlement and Schedule

(1) Method of Settlement

The payment was executed according to the construction progress every 3 months.

(2) Schedule

Start of building the Annex	November 2017
Payment for construction work related to building the Annex (first to third times payment)	End of March, June and September, 2018
Decision of acquisition	December 13, 2018
Completion of the Annex (scheduled)	December 17, 2018
Acquisition of the Annex (scheduled)	
Payment for construction work related to building the Annex (forth payment) (scheduled)	End of December, 2018
Start of hotel operation at the Annex (scheduled)	January 15, 2019
Completion of renovation works on the existing building (scheduled)	End of March, 2019
Payment for construction work related to building the Annex and renovation works on the existing building (payment of the balance) (scheduled)	

6. Outlook of Operating Condition

United Urban will exchange memorandums on modifying the fixed term lease agreement with the lessee (K.K. Ishin Minato Roppongi Operations) of the Property (the existing building) regarding leased area of the Annex and revision of the fixed rent, etc on acquisition of the Annex. United Urban does not make any changes to the forecasts of financial results for the thirtieth fiscal period (ending May 31, 2019) as the effect is forecast to be insignificant.

7. Summaries of Appraisal Report

[The Property and the Annex]

Appraisal Value	¥5,710,000 thousand
Appraisal Agency	Japan Real Estate Institute
Date of Value Estimate	December 7, 2018

(thousands of yen, unless otherwise indicated)

Item	Details	Grounds
Income approach price	5,710,000	—
Price by Direct Capitalization Method	5,800,000	—
(1) Total profit (Effective total profit: 1+2+3+4-5-6)	285,570	—
1. Potential total profit (rental revenues, common area charges)	278,982	For the hotel portion, recorded the rental income on medium to long term perspective, taking into account the standard income level of hotel business of the lessee, and, for the store portion, recorded the rental income that can be received stably in the medium to long term based on the current lease agreements.
2. Utility revenues	0	No utility revenues to be received from the lessee of the hotel portion. Utility revenues for the store portion are assumed to be offset by the relevant expenses.
3. Parking revenues	3,588	Assessed a unit value level of charges that can be received stably over the medium to long term, based on some factors such as the average charges under the current lease agreement and the level of charges in case a new renting of parking lot is assumed to take place; and recorded parking revenues as calculated based on the unit value level thus assumed.
4. Other revenues	3,000	Usage fee for antenna and other charges were recorded as other revenues.
5. Losses from vacancies	0	Losses from vacancies are not recorded for the hotel portion, as the anticipated type of lease is a lease of the entire building. Losses from vacancies are not recorded for the store portion in view of the current lease agreements, etc.
6. Bad debt losses	0	Judged that no bad debt losses need to be recorded in view of the circumstances, etc. of lessees.
(2) Total expenses (7+8+9+10+11+12+13+14)	39,078	—
7. Administrative and maintenance fees	0	Administrative and maintenance fees for the hotel portion are not recorded on the assumption that the day-to-day management will be done by the lessee. Administrative and maintenance fees for the store portion are not recorded in view of the current relevant agreements, etc.
8. Utilities	0	Utilities are not recorded for the hotel portion as the expenses will be shouldered by the lessees as set forth in the lease agreement. Utilities are not recorded for the store portion as they are assumed to be offset by the utility revenues.
9. Repairs	0	Expenses for repairs for the hotel portion are not recorded on the assumption that the day-to-day repair will be done by the lessee. Expenses for repairs for the store portion are not recorded in view of the current relevant agreements, etc.
10. Property and other tax	35,976	Recorded in accordance with documents related to taxes and other public charges.
11. Property management fee	3,000	Assessed taking into consideration tax base value, contents of burden adjustment measures, replacement cost etc.
12. Advertising expenses for tenants, etc.	0	Advertising expenses for tenants, etc. for the hotel portion are not recorded as the term of the anticipated lease agreement is relatively long term. Advertising expenses for tenants, etc. for the store portion are not recorded in view of the lease term, and the nature of the tenants, etc.
13. Casualty insurance	102	Recorded casualty insurance fee by taking into account insurance costs indicated on the insurance policy, and the rate, etc. of insurance costs of buildings similar to the subject building.
14. Other expenses	0	No other expenses to be recorded.
(3) Net operating income (NOI: (1)-(2))	246,492	—
(4) Operating profit of lump-sum money	160	Based on the amount of stable medium to long term lease deposit calculated based on the required number-of-month-equivalent lease deposits for the current lease terms; and calculated an operating profit of lump-sum money for the store portion by multiplying the assumed amount of stable medium to long term lease deposits as adjusted for the occupancy ratio by an investment yield. Moreover, we assessed 1.0% as being the appropriate investment yield from the perspective of fund management during the period of

Item		Details	Grounds
			deposit, by taking into account the level of interest rate, etc. of both sides of investment and procurement. The operating profit of lump-sum money for the hotel portion is not recorded as there is no security deposit for the hotel.
	(5) Capital expenditures (including routine repairs)	10,187	Renewal costs required for maintenance of the building to be recognized assuming that a projected average amount will be set aside every fiscal period, although the actual costs will arise on an irregular basis; and assessed capital expenditures, taking into account the level of capital expenditure for similar real estates, the age, and the annual average amount of repair and renewal costs set forth in the relevant engineering report and replacement cost.
	(6) FF&E reserve	10,074	FF&E reserve required for maintenance of the FF&E (furniture, fixture and equipment) to be recognized assuming that a projected average amount will be set aside every fiscal period, although the actual costs will arise on an irregular basis; and assessed FF&E reserve, taking into account the level of FF&E reserve for similar real estates, in reference to the plan for maintenance and renewal.
	(7) Net cash flow (NCF: (3)+(4)-(5) -(6))	226,391	—
	(8) Cap rate	3.9%	Assessed based on a real-estate investment yield set for each area, by adjusting it with the spreads arising from location requirements, standing of the building and other conditions for the subject property and by taking into account any future uncertainties and yields from similar real estate deals, etc.
	Price by discounted cash flow method	5,610,000	—
	Discount rate	3.7%	—
	Terminal cap rate	4.1%	—
Cost approach price		5,860,000	Land ratio: 81.9%, Building ratio: 18.1% (including furniture, fixtures and equipment etc.)
Other specific matters the appraisal agency has paid attention in appraising the property			None

【Attached Materials】

1. Portfolio Summary
2. Image and Map

Reference Material 1

Portfolio Summary

As of December 17, 2018 (Scheduled)

[Distribution by Type of Use]

Type of Use	Number of Properties (Note 1)	(Scheduled) Acquisition Price (Note 2)	
		Amount (millions of yen)	Ratio
Retail Properties	35	185,093	30.1%
Office Buildings	36	201,764	32.8%
Hotels	17	131,915	21.5%
Residential Properties	21	45,916	7.5%
Others	13	50,208	8.2%
Total	119	614,896	100.0%

[Distribution by Geographical Location]

Location (Note 3)	Number of Properties	(Scheduled) Acquisition Price (Note 2)	
		Amount (millions of yen)	Ratio
6 Central Wards of Tokyo	26	130,965	21.3%
23 Wards of Tokyo	13	49,501	8.1%
Tokyo Metropolitan Area	32	199,102	32.4%
Other Regions	48	235,328	38.3%
Total	119	614,896	100.0%

(Notes)

- Each of “maricom-ISOGO / SYSTEM PLAZA YOKOHAMA (Site),” a retail property/office building complex and “Shin-Osaka Central Tower” and “SS30”, an office building/hotel complex have been counted as one property for each type of use, while counted as one property in the total row, respectively. Therefore, the number of properties of each type does not add up to the total.
- Figures have been rounded to the nearest unit. There is the possibility the aggregated figures shown are not the same as the actual figures. The percentage is shown by rounding down to the nearest digit and there is the possibility that the aggregated figures are not the same as the actual total figures.
- The definition of geographical investment location is as set forth below.

Tokyo Metropolitan Area (Note a)			Other Regions (Note b)
Six Central wards of Tokyo	23 wards of Tokyo	Tokyo metropolitan area	Major Japanese cities including government designated cities (excluding those in Tokyo Metropolitan Area) and the surrounding areas thereof
Chiyoda-ku, Minato-ku, Chuo-ku, Shinjuku-ku, Shibuya-ku, and Shinagawa-ku	23 wards of Tokyo except for six central wards of Tokyo	Tokyo metropolitan area excluding 23 wards of Tokyo	

(Notes)

- Tokyo Metropolitan Area refers to Tokyo as well as Kanagawa, Chiba, Saitama, Ibaraki, Gunma, Tochigi and Yamanashi prefectures.
 - Other Regions includes Osaka Area (Osaka Prefecture, Kyoto Prefecture and Hyogo Prefecture), Nagoya Area (Aichi Prefecture, Mie Prefecture and Gifu Prefecture) and Other cities (excluding Tokyo Metropolitan Area, Osaka Area and Nagoya Area).
- Property to be acquired contained in the above charts is as follows;

Type of Use	Type	Location	Property Name	Scheduled Acquisition Date	Acquisition Price (Note a)	
					Amount (millions of yen)	Ratio
Hotel	Hotel	6 Central Wards of Tokyo	the b roppongi (The Annex)	Dec. 17, 2018	988 (4,488)	0.2% (0.7%)

(Note)

- As for numeric value shown in the parentheses of “Acquisition Price”, numeric value of whole the Property after completion of building the Annex.
- “Himonya Shopping Center”’s acquisition price as of December 17, 2018 is ¥4,590 million, which corresponds to 30% of its initial acquisition price (¥15,300 million).
 - In addition to the properties in the above chart, United Urban has an asset as follows;

Type of the Asset and Asset Name etc.	Outline of the Asset	Acquisition Date	Scheduled Acquisition Price (millions of yen)	
Preferred equity securities of Tenjin 123 Project TMK (the b fukuoka tenjin)	1,130 units	Apr. 21, 2016	74	Total: 93
	367 units	Oct. 3, 2016	18	

When TMK is dissolved, United Urban expects to receive liquidation dividend from its equity interest which had been invested in.

- The latest information about United Urban’s portfolio is disclosed on United Urban’s website.
http://www.united-reit.co.jp/eng/cms/portfolio/port_list.html

Reference Material 2

Image and Map

[Image]

(Note) This image is created based on drawings. Then, the actual building to be completed may be different from this image.



[Map]

