

February 16, 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 Trust Beneficiary Interests 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 trust beneficiary interests in domestic real estate as follows:

**«Properties to be acquired»**

Property name	Location	Acquisition Price (planned)	Contract date	Transfer date (scheduled)
the ARGYLE aoyama (ownership interest ratio: 50%)	Minato-ku Tokyo	JPY 23,900 million	February 16, 2023	February 27, 2023
Toyosu Foresia (ownership interest ratio: 9%)	Koto-ku Tokyo	JPY 8,100 million		

(Note) The ownership interest ratio in the “Property name” indicates the ratio of JRE’s co-ownership interest in each 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 situated in favorable locations in central Tokyo and have high basic specifications and functionality. Therefore, JRE decided the acquisitions determining it will enhance its medium- to long-term competitiveness and expand its asset size.

«Property to be acquired: the ARGYLE aoyama»

1. Outline of the Acquisition

Property name	the ARGYLE aoyama (ratio of ownership interest: 50%)
Acquisition price (planned)	JPY 23,900 million
Seller	Dairoku Mec Toshikaihatsu TMK
Brokerage	No
Decision date	February 16, 2023
Contract date	February 16, 2023
Transfer date (scheduled)	February 27, 2023
Payment date (scheduled)	February 27, 2023

2. Reason for the Acquisition

The property was evaluated for the following points in particular:

(1) Superior location

The property is located in the Aoyama area, which is known as the epicenter of fashion and other trend, and where galleries and verdant spots such as Meiji Jingu Gaien are scattered. The area also enjoys high demand for office spaces from companies in various industries including apparel, design, and IT. The property serves as an excellent landmark, as it is on a highly visible corner lot at the intersection of two major arteries, where the former “Aoyama Bell Commons,” previously a symbol of the area, was located. It also has easy walking access to several stations.

In addition, a large-scale mixed-use redevelopment is planned in the neighboring area, so the value of the area is expected to further improve.

(2) Brand new building and excellent facilities

The ARGYLE aoyama, just completed in 2020, is a complex facility consisting of office, hotel, and commercial zones. The property offers high-specification workspaces on its typical office floors, such as a regular-shaped floor plate of approx. 830 m<sup>2</sup>, a ceiling height of 2.8 meters, and a raised floor of 100 millimeters. There is a verdant public square on its northwest side, where office workers and visitors can stay relaxed, and at the same time, which contributes to the local community with benches installed there that can also be used as a furnace if the seat is removed in the event of disasters. Furthermore, the property is equipped with solar panels installed on the roof and facilities for BCP such as an emergency power generator capable of 48-hour operation and emergency supply storage on each office floor. Thus, it demonstrates high competitiveness in terms of the environment and disaster mitigation.

3. Description of the Property to Be Acquired

Property name	the ARGYLE aoyama (ratio of ownership interest: 50%)
Type of specified asset	Trust beneficiary interest in domestic real estate
Type of ownership	
Land	Ownership (quasi-co-ownership interest: 50/100)
Building	Ownership (quasi-co-ownership interest: 50/100)
Trustee	Sumitomo Mitsui Trust Bank, Limited
Location (Building address)	2-14-4 Kita-aoyama, Minato-ku, Tokyo
Usage	Offices, hotel, and shops
Area	
Land	2,142.24 m <sup>2</sup> (area stated in the real property registry)
Building	22,009.57 m <sup>2</sup> (gross floor area stated in the real property registry)
Structure	S/SRC structure with flat roof, 20 stories above the ground and

	2 basement levels		
Typical floor area	831.74 m <sup>2</sup>		
Completion	June 2020		
Matters related to earthquake resistance	PML: 1.6% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)		
Mortgage	No		
Appraisal value (Date of value)	JPY 24,100 million (as of January 31, 2023)		
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.		
Outline of lease			
	Total number of tenants	12	
	Total rent revenues	1,015 million yen per year	
	Security deposit	913 million yen	
	Total leased area	7,478 m <sup>2</sup>	
	Net rentable area	7,478 m <sup>2</sup>	
	Occupancy rate	March 31, 2021	100.0 %
		September 30, 2021	100.0 %
		March 31, 2022	100.0 %
		September 30, 2022	100.0 %
		Scheduled acquisition date	100.0 %
Special notes	Matters related to preferential negotiation rights for the transfer of an interest in the property are provided for in the co-owners agreement.		
(Note)			
<ul style="list-style-type: none"><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><li>• “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.</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 682 million a year (an estimated amount)</li><li>• Depreciation: JPY 169 million a year (an estimated amount)</li></ul>			

#### 4. Outline of Seller

Corporate name	Dairoku Mec Toshikaihatsu TMK
Location	2-27-1, Shinkawa, Chuo-ku, Tokyo
Representative	Syogo Kikuchi, Director
Principal business	(1) Operations related to transfer, administration, and disposition of specified assets in line with the Asset Securitization Plan set forth in the Act on the Securitization of Assets (2) All other operations incidental thereto
Paid-in capital	JPY 37,300 million (as of Feb. 28, 2022)
Date of establishment	January 6, 2014
Net assets	JPY 38,171 million (as of Feb. 28, 2022)
Total assets	JPY 38,425 million (as of Feb. 28, 2022)
Major shareholders and their shareholding percentages (as of Feb. 16, 2023)	Mitsubishi Estate Co., Ltd.: 100.0%
Relationship with JRE and JRE-AM	
Capital relationship	Mitsubishi Estate Co., Ltd., a wholly owning parent company of JRE-AM, has a preferred equity investment in Dairoku Mec Toshikaihatsu TMK (hereinafter “the company”).
Personnel relationship	None
Business relationship	None
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)	the ARGYLE aoyama (2-14-4 Kita-aoyama, Minato-ku, Tokyo)	
Status of owners, etc. of the property	Previous owner	Second previous owner
Corporate name	Dairoku Mec Toshikaihatsu TMK	—
Relationship with interested parties of JRE	See item 4 above “Outline of Seller” on page 4	—
Acquisition background and reason, etc.	Newly built in June 2020	—
Acquisition price	—	—
Acquisition date	—	—

## 6. Summary of Appraisal Report

Property name	the ARGYLE aoyama
Appraisal value	JPY 24,100 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd
Date of value	January 31, 2023

Item	Amount	Description
Value indicated by the income approach	24,100,000	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	24,900,000	
(1) Operating income [①-②]	1,000,795	
① Potential rental income	1,032,728	Estimated considering new rent levels of comparable properties and the medium- to long-term competitiveness of the subject property
② Vacancy loss	31,933	Recorded based on expenses incurred in previous years and average vacancy rates of comparable properties, considering the competitiveness of the subject property
(2) Operating expenses	320,125	
Maintenance and management fee	108,892 (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	71,939	Estimated referring to expenses incurred in previous years
Repair expenses	9,867	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	5,959	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	118,925	Estimated on the basis of the taxes levied for fiscal year 2022
Insurance Premium	1,826	Recorded based on insurance premiums incurred in previous years
Other expenses	2,714	Recorded based on consumable expenses and expenses incidental to the maintenance and management fee, etc.
(3) Net operating income [(1)-(2)]	680,670	
(4) Operating profit on lump-sum payments	0	Not recorded because no security deposit is deposited in accordance with the master lease contract

	(5) Capital expenditures	9,773	Estimated based on the replacement cost of the building referring to repair/renewal expenses of comparable properties
	(6) Net cash flow [(3)+(4) - (5)]	670,897	
	(7) Capitalization rate	2.7%	Estimated referring to the market capitalization rates of comparable properties
	Value indicated by the DCF method	23,800,000	
	Discount rate	2.5%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.
	Terminal capitalization rate	2.9%	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	23,800,000	
	Land ratio	80.4%	
	Building ratio	19.6%	

\* 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: Toyosu Foresia»

1. Outline of the Acquisition

Property name	Toyosu Foresia (ratio of ownership interest: 9%)
Acquisition price (planned)	JPY 8,100 million
Seller	Toyosu 3 Chome Kaihatsu TMK
Brokerage	No
Decision date	February 16, 2023
Contract date	February 16, 2023
Transfer date (scheduled)	February 27, 2023
Payment date (scheduled)	February 27, 2023

2. Reason for the Acquisition

The property was evaluated for the following points in particular:

(1) Superior location

The property is located in the Toyosu area where diverse urban functions, including business, commercial, and residential areas, are particularly concentrated within the Tokyo Bay area. It is connected to Toyosu Station, where two lines are available, via a pedestrian passageway covered with green, enjoying smooth access to central Tokyo. The property also faces a large commercial complex, offering great convenience.

In the nearby redevelopment area, development of complexes consisting mainly of offices is also underway. Moreover, the subway line at Toyosu station is scheduled to be extended, so the value of the area is expected to further improve.

(2) Excellent building and facilities

Completed in 2014, the property has a typical floor plate of approximately 4,500 m<sup>2</sup> and a ceiling height of 2.85 meters. It has also specifications to reduce environmental burdens such as greening of 44% of the whole site and solar concentrators that bring abundant natural light into the atrium. In addition, it is highly competitive as an office building, boasting excellent performance also in terms of disaster mitigation through its adoption of a basic seismic isolation structure, an emergency power generator capable of 72-hour operation, and by having core facilities on the second floor in preparation for flood risk.

3. Description of the Properties to Be Acquired

Property name	Toyosu Foresia (ratio of ownership interest: 9%)
Type of specified asset	Trust beneficiary interest in domestic real estate
Type of ownership	
Land	Ownership (co-ownership interest: 9/100)
Building	Ownership (co-ownership interest: 9/100)
Trustee	Mitsubishi UFJ Trust and Banking Corporation
Location (Building address)	3-2-24 Toyosu, Koto-ku, Tokyo
Usage	Offices and shops
Area	
Land	16,242.68 m <sup>2</sup> (area stated in the real property registry)
Building	98,176.19 m <sup>2</sup> (gross floor area stated in the real property registry)
Structure	S/SRC structure with flat roof, 16 stories above the ground and 2 basement levels
Typical floor area	4,594.02 m <sup>2</sup>
Completion	June 2014

Matters related to earthquake resistance	PML: 0.8% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)		
Mortgage	No		
Appraisal value (Date of value)	JPY 8,180 million (as of February 1, 2023)		
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.		
Outline of lease			
	Total number of tenants	31	
	Total rent revenues	440 million yen per year	
	Security deposit	468 million yen	
	Total leased area	5,908 m <sup>2</sup>	
	Net rentable area	6,032 m <sup>2</sup>	
	Occupancy rate	March 31, 2021	97.9 %
		September 30, 2021	97.9 %
		March 31, 2022	97.9 %
		September 30, 2022	97.9 %
		Scheduled acquisition date	97.9 %
Special notes	Matters related to preferential negotiation rights for the transfer of an interest in the property are provided for in the co-owners agreement.		
(Note)			
<ul style="list-style-type: none"><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><li>• “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.</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 292 million a year (an estimated amount)</li><li>• Depreciation: JPY 102 million a year (an estimated amount)</li></ul>			



#### 4. Outline of Seller

Corporate name	Toyosu 3 Chome Kaihatsu TMK
Location	2-27-1, Shinkawa, Chuo-ku, Tokyo
Representative	Syogo Kikuchi, Director
Principal business	(1) Operations related to transfer, administration, and disposition of specified assets in line with the Asset Securitization Plan set forth in the Act on the Securitization of Assets (2) All other operations incidental thereto
Paid-in capital	JPY 30,400 million (as of April 15, 2022)
Date of establishment	November 29, 2011
Net assets	JPY 31,833 million (as of April 15, 2022)
Total assets	JPY 32,064 million (as of April 15, 2022)
Major shareholders and their shareholding percentages (as of Feb. 16, 2023)	Mitsubishi Estate Co., Ltd.: 100.0%
Relationship with JRE and JRE-AM	
Capital relationship	Mitsubishi Estate Co., Ltd., a wholly owning parent company of JRE-AM, has a preferred equity investment in Toyosu 3 Chome Kaihatsu TMK (hereinafter “the company”).
Personnel relationship	None
Business relationship	None
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)	Toyosu Foresia (3-2-24 Toyosu, Koto-ku, Tokyo)	
Status of owners, etc. of the property	Previous owner	Second previous owner
Corporate name	Toyosu 3 Chome Kaihatsu TMK	—
Relationship with interested parties of JRE	See item 4 above “Outline of Seller” on page 9	—
Acquisition background and reason, etc.	Newly built in June 2014	—
Acquisition price	—	—
Acquisition date	—	—

## 6. Summary of Appraisal Report

Property name	Toyosu Foresia
Appraisal value	JPY 8,180 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd
Date of value	February 1, 2023

Item	Amount	Description
Value indicated by the income approach	8,180,000	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	8,320,000	
(1) Operating income [①-②]	474,354	
① Potential rental income	495,786	Estimated considering the current average rent, the medium- to long-term competitiveness of the subject property and the new rent level of comparable properties
② Vacancy loss	21,432	Recorded based on average vacancy rates of comparable properties, considering the competitiveness of the subject property
(2) Operating expenses	159,868	
Maintenance and management fee	66,753 (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	37,281	Estimated referring to expenses incurred in previous years
Repair expenses	5,593	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	3,692	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	41,765	Estimated on the basis of the taxes levied for fiscal year 2022
Insurance Premium	1,492	Recorded based on insurance premiums of comparable properties
Other expenses	3,289	Recorded based on consumable expenses and expenses incidental to the maintenance and management fee, etc.
(3) Net operating income [(1)-(2)]	314,486	
(4) Operating profit on lump-sum payments	0	Not recorded because no security deposit is deposited in accordance with the master lease contract

	(5) Capital expenditures	15,163	Estimated referring to the average annual repair/renewal expenses stated in the engineering report
	(6) Net cash flow [(3)+(4) - (5)]	299,322	
	(7) Capitalization rate	3.6%	Estimated referring to the market capitalization rates of comparable properties
	Value indicated by the DCF method	8,120,000	
	Discount rate	3.4%	Estimated from the discount rates in the transactions of comparable properties and comparisons with the yields of other financial instruments, etc.
	Terminal capitalization rate	3.8%	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	9,090,000	
	Land ratio	70.3%	
	Building ratio	29.7%	

\* 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

the ARGYLE aoyama: Loan and cash on hand  
Toyosu Foresia: Loan and cash on hand

##### 2) Settlement method

Lump-sum payment at the time of transfer

(Note) For more information about loans for the acquisitions, the details will be announced once they are determined.

#### «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) and the fiscal period ending September 2023 (April 1, 2023 to September 30, 2023) as the acquisitions will likely have only a marginal effect on performance.

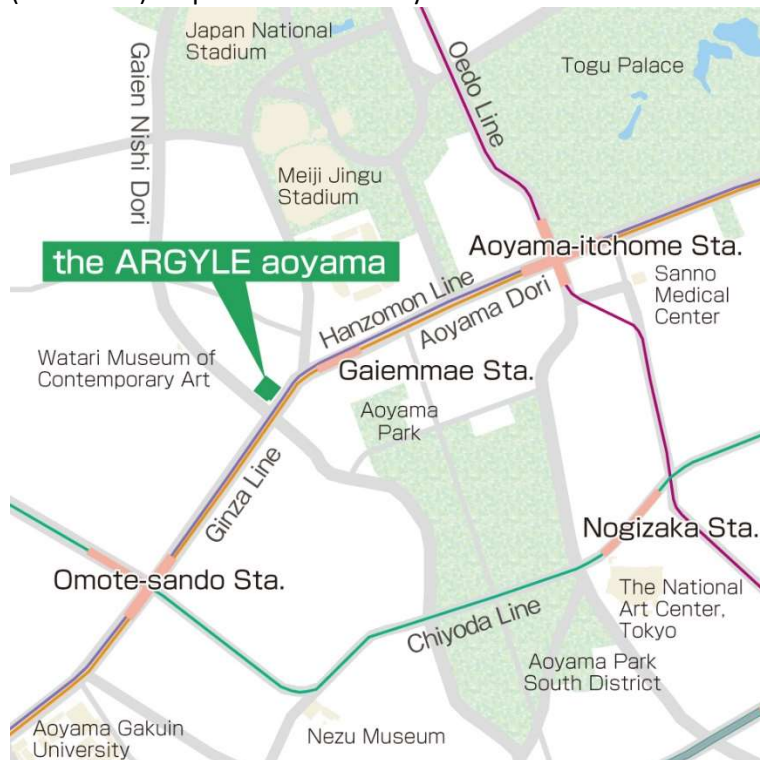
<Reference>

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 February 16, 2023.  
No assurance or warranties are given for the completeness or accuracy of this English translation.

(Reference) map of the ARGYLE aoyama



(Reference) Exterior of the ARGYLE aoyama



(Reference) map of Toyosu Foresia



(Reference) Exterior of Toyosu Foresia

