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For Immediate Release

Investment Corporation

Japan Real Estate Investment Corporation

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## Announcement of Acquisition of Trust Beneficiary Interest 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 interest in domestic real estate as follows:

### 1. Outline of the Acquisition

Property name	Toyosu Front (ratio of ownership interest: 24%)
Acquisition price (planned)	JPY 25,500 million
Seller	Mitsubishi Estate Co., Ltd.
Brokerage	No
Decision date	March 28, 2022
Contract date (scheduled)	March 29, 2022
Transfer date (scheduled)	March 29, 2022
Payment date (scheduled)	March 29, 2022

(Note) The ratio of ownership interest in the "Property name" indicates the ratio of JRE's co-ownership interest in Toyosu Front.

### 2. Reason for the Acquisition

In recent years, the roles and functions expected of offices have undergone change against the backdrop of the development of IT, growing environmental awareness, diversification of work styles, and such. In view of the change in the business environment resulting from these new trends, JRE has established a policy to strategically replace its portfolio properties under a proactive perspective, focusing on the medium- to long-term competitiveness of the portfolio.

Toyosu Front is a highly competitive property located in the bay area called Toyosu, where diverse urban functions, including business, commercial and residential areas, are particularly concentrated among the bay areas, with excellent access to the central Tokyo, but with relatively low rent level. JRE believes that the acquisition of the property is in line with its portfolio property replacement policy and will lead to enhancing the portfolio's competitiveness in the medium to long term.

The property was evaluated for the following points in particular:

(1) Superior location

The property is connected to Toyosu Station where two lines are available via an underground passageway and faces a large commercial complex, offering great convenience.

In the nearby redevelopment area, the development of two complex buildings consisting mainly of offices is also underway. Moreover, the subway line at Toyosu Station is scheduled to be extended, and the value of the area is expected to further improve.

(2) Excellent building and facility

The property, completed in 2010, boasts a floor plate of more than 5,000 m<sup>2</sup> for an office floor and a soaring atrium to the ceiling, which provides its workers with an open and comfortable working environment.

In terms of the environment, the property has specifications to reduce environmental burdens such as greening of approximately 36% of the whole site with some 50 types of plants and facilities for taking in outside air and using natural light.

### 3. Description of the Properties to Be Acquired

Property name	Toyosu Front (ratio of ownership interest: 24%)	
Type of specified asset	Trust beneficiary interest in domestic real estate	
Type of ownership		
Land	Ownership (co-ownership interest: 24%)	
Building	Ownership (co-ownership interest: 24%)	
Trustee	Mitsubishi UFJ Trust and Banking Corporation	
Location (Building address)	3-2-20 Toyosu, Koto-ku, Tokyo	
Usage	Offices and shops	
Area		
Land	13,700.00 m <sup>2</sup> (area stated in the real property registry)	
Building	104,683.98 m <sup>2</sup> (gross floor area stated in the real property registry)	
Structure	S/SRC structure with flat roof, 15 stories above the ground and 2 basement levels	
Typical floor area	5,068.50 m <sup>2</sup>	
Completion	August 2010	
Matters related to earthquake resistance	PML: 2.1% (based on the seismic risk assessment report by Tokio Marine dR Co., Ltd.)	
Mortgage	No	
Appraisal value (Date of value)	JPY 26,600 million (as of March 1, 2022)	
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.	
Outline of lease		
Total number of tenants	21	
Total rent revenues	1,363 million yen per year	
Security deposit	1,230 million yen	
Total leased area	17,221 m <sup>2</sup>	
Net rentable area	17,407 m <sup>2</sup>	
Occupancy rate	March 31, 2020	100.0 %

		September 30, 2020	100.0 %
		March 31, 2021	93.0 %
		September 30, 2021	98.9 %
		Scheduled acquisition date	98.9 %
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)

- 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.
- “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.
- “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.
- “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.
- NOI (Net Operating Income): JPY 970 million a year (an estimated amount)
- Depreciation: JPY 273 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	JPY 142,414 million (as of Dec. 31, 2021)
Date of establishment	May 7, 1937
Net assets	(Consolidated): JPY 2,126,523 million (as of Dec. 31, 2021)
Total assets	(Consolidated): JPY 6,370,776 million (as of Dec. 31, 2021)
Major shareholders and their shareholding percentages (as of Sep. 30, 2021)	The Master Trust Bank of Japan, Ltd. (Shintaku Acc.): 14.85% Custody Bank of Japan, Ltd. (Shintaku Acc.): 4.99% Meiji Yasuda Life Insurance Company: 3.16%
Relationship with JRE and JRE-AM	
Capital relationship	Mitsubishi Estate Co., Ltd. ("Mitsubishi Estate") is a parent company of JRE-AM, holding a 100% stake as of March 28, 2022. Mitsubishi Estate also holds 17,120 investment units of JRE as of September 30, 2021, which accounts for 1.24% of the number of units outstanding.
Personnel relationship	Thirteen personnel from Mitsubishi Estate are on loan to JRE-AM as of March 28, 2022, 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)	Toyosu Front (3-2-20 Toyosu, Koto-ku, Tokyo)	
Status of owners, etc. of the property	Previous owner	Second previous owner
Corporate name	Mitsubishi Estate Co., Ltd.	Toyosu 3-1 TMK
Relationship with interested parties of JRE	See item 4 above “Outline of Seller”	Mitsubishi Estate Co., Ltd., the shareholder of the asset management company (investment ratio in the asset management company: 100%) to which JRE entrusts asset investment, made a preferred equity investment in it.
Acquisition background and reason, etc.	Acquisition for the purpose of investment management	Newly built in 2010
Acquisition price	Omitted as the previous owner owned the property for more than a year	—
Acquisition date	Acquired in May 2015	—

## 6. Transaction with Interested Party

The 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 its compliance committee, and then obtains approval from its investment management council pursuant to the rules for interested-party transactions.

## 7. Settlement Method

### 1) Acquisition fund

#### Loans

(Note) For more information about the loans for the acquisition, please refer to the press release “Announcement of Debt Financing” announced today.

### 2) Settlement method

Lump-sum payment at the time of transfer

## 8. Future Outlook

There are no revisions to the operating performance forecasts for the fiscal period ending March 2022 (October 1, 2021 to March 31, 2022) and the fiscal period ending September 2022 (April 1, 2022 to September 30, 2022) as the acquisition will likely have only a marginal effect on performance.

## 9. Summary of Appraisal Report

Property name	Toyosu Front
Appraisal value	JPY 26,600 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd
Date of value	March 1, 2022

Item	Amount	Description
Value indicated by the income approach	26,600,000	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	27,100,000	
(1) Operating income [①-②]	1,409,990	
① Potential rental income	1,469,777	Estimated considering new rent levels of comparable properties and the medium to long term competitiveness of the subject property
② Vacancy loss	59,787	Recorded based on average vacancy rates of comparable properties, considering the competitiveness of the subject property
(2) Operating expenses	378,700	
Maintenance and management fee	175,040	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	(note)	
Utilities expenses	69,556	Estimated based on expenses incurred in previous years
Repair expenses	16,608	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	11,210	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	99,393	Estimated on the basis of the taxes levied for fiscal year 2021
Insurance Premium	4,250	Recorded based on the insurance premiums of comparable properties
Other expenses	2,640	Recorded based on the actual management expenses for the passageway and pedestrian deck
(3) Net operating income [(1)-(2)]	1,031,290	
(4) Operating profit on lump-sum payments	13,386	Estimated under the assumption of an interest rate of 1.0%
(5) Capital expenditures	71,782	Estimated on the basis of the average annual repair/renewal expenses stated in the engineering report
(6) Net cash flow [(3)+(4) - (5)]	972,894	
(7) Capitalization rate	3.6%	Estimated referring to the market capitalization rates of comparable properties
Value indicated by the DCF method	26,400,000	
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	21,700,000	
Land ratio	76.5%	
Building ratio	23.5%	

\* 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.

(Reference) map of Toyosu Front



(Reference) Exterior of Toyosu Front

