

March 29, 2023

Real Estate Investment Trust Securities Issuer

Sekisui House Reit, Inc.

 Representative: Atsuhiko Kida, Executive Director  
(Securities Code: 3309)

Asset Management Company

Sekisui House Asset Management, Ltd.

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### Notice Concerning Acquisition of Asset (Silent Partnership Equity Interest)

Sekisui House Reit, Inc. (“SHR”) hereby announces that Sekisui House Asset Management, Ltd. (“SHAM”), to which SHR entrusts management of its assets, has decided today for SHR to acquire the following asset (silent partnership equity interest) (hereinafter referred to as the “Asset Acquisition”) as described below.

#### 1. Summary of the Asset Acquisition

Asset name	Underlying asset	Location	Investment price (Equity interest ratio)	Acquisition date
Godo Kaisha Gemini2 (Silent Partnership Equity Interest)	Ningyocho PREX	Chuo-ku, Tokyo	220 million yen (6.8%)	March 29, 2023

- a. Type of specified asset : Silent partnership equity interest with trust beneficiary interest in trust asset, which is comprised of domestic real estate, as the investment asset
- b. Contract date : March 29, 2023
- c. Brokerage : Not applicable
- d. Acquisition financing : Own funds
- e. Settlement method : Payment of entire amount on the acquisition date

#### 2. Reason for the Asset Acquisition

SHR conducts the Asset Acquisition based on the targets and policies of asset management stipulated in its Articles of Incorporation, with the aim of enhancing the "Office Building" portfolio in the medium- to long-term and securing external growth opportunities.

The real estate subject to the trust beneficiary interest, which will be the investment asset of the “Godo Kaisha Gemini2 (silent partnership equity interest)” (hereinafter referred to the “Silent Partnership Equity Interest”), is “Ningyocho PREX” (the “Property”).

SHR is scheduled to acquire preferential negotiation rights regarding the acquisition of the trust beneficiary interests related to the Property by acquiring an investment stake in the Silent Partnership Equity Interest. SHR believes that enhancing the "Office Building" portfolio in the future and securing growth potential through external growth will contribute to strengthening the earnings base from a medium-to long-term perspective. Such preferential negotiation rights will be held by SHR as a right and SHR will not be obligated to acquire the underlying asset (however, acquisition by SHR is not guaranteed.). In addition, by acquiring the Silent Partnership Equity Interest, SHR expects to receive dividend income distributed from profits generated by the real estate property-related operating income of the underlying asset.

The characteristics of the Property that were focused on when deciding to acquire the investment stake in the Silent Partnership Equity Interest are as follows.

(1) Location characteristics

The Property is an office building excellently located with accessibility to six train lines -approximately a four-minute walk from Ningyocho Station on the Tokyo Metro Hibiya Line and Toei Asakusa Line, approximately a seven-minute walk from Bakuro Yokoyama Station on the Toei Shinjuku Line, in addition to being of walking distance from Kodenmacho Station on the Tokyo Metro Hibiya Line, Shin-Nihombashi Station on the Sobu Main Line, Suitengumae Station on the Tokyo Metro Hanzomon Line, and Mitsukoshimae Station on the Tokyo Metro Ginza Line and Hanzomon Line.

The “Ningyocho” area where this property is located is known as the downtown area of Tokyo, where the history of Nihombashi, which is also said to be the center of Edo, coexists with the modern era. In the vicinity, there are eight shrines of Shichifukujin, in addition to the Ningyocho shopping district, which has many shops with a history of more than 100 years, including traditional craft shops that have been around since the Edo period. Simultaneously, this area is being recognized as a business district where small and medium-sized businesses such as startups gather in consideration to its excellent access to major business areas such as Otemachi, Shibuya and Shinjuku, making it an ideal office environment.

(2) Property characteristics

The Property is a medium-sized office building that was completed at the end of December 2021. Based on the design concept of “new high quality as an office”, the common area was created to harmonize the rich greenery with the maximized presence of simple earth colors and warm materials with the use of bricks. The rooftop garden, which can be used not only as a refreshing area, but also as an alternative workspace, fully equipped with benches, outlets, and complimentary Wi-fi along with shade provided from plants and an all-round view. The proprietary area provides roughly 158 square meters per floor and is designed to accommodate up to 80 desks. Each floor features a pantry with an IH stove that serves as a refreshment area and a skeleton ceiling for height, in line with current trends. A reception area and four conference rooms are pre-built to offer a “HalfSetup” rental system that saves time and cost which can be a hurdle when considering leasing. A three-stage security system is also introduced from the entrance of the building to the proprietary office consisting of 24-hour remote monitoring by a security company, security cameras, and non-stop control devices for elevators, providing an office building that is fully equipped with multi-stage security.

3. Description of the Silent Partnership Equity Interest

(1) Summary of the silent partnership to be invested in

Business operator name	Godo Kaisha Gemini2	
Acquisition date	March 29, 2023	
Type of specified asset	Silent partnership investment	
Effective period of the silent partnership agreement	From March 29, 2023 to February 29, 2028	
Total amount of investments in silent partnership equity, etc.	3,220 million yen	
Investment price	220 million yen (Equity interest ratio 6.8%)	
Summary of the silent partnership agreement	<ul style="list-style-type: none"> <li>Summary of the silent partnership investment</li> </ul>	
	Godo Kaisha Gemini2	
	Trust beneficiary interest in real estate, etc. 13,761 million yen	Non-recourse loans (Senior loan) 8,382 million yen

	<table border="1"> <tr> <td data-bbox="624 226 1011 342"></td> <td data-bbox="1011 226 1385 342"> Non-recourse loans (Mezzanine loan) 1,778 million yen </td> </tr> <tr> <td data-bbox="624 342 1011 459"></td> <td data-bbox="1011 342 1385 459"> Non-recourse loans (Other loan) 381 million yen </td> </tr> <tr> <td data-bbox="624 459 1011 573"></td> <td data-bbox="1011 459 1385 573"> Silent partnership investment, etc. 3,220 million yen </td> </tr> </table>		Non-recourse loans (Mezzanine loan) 1,778 million yen		Non-recourse loans (Other loan) 381 million yen		Silent partnership investment, etc. 3,220 million yen
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	Non-recourse loans (Other loan) 381 million yen						
	Silent partnership investment, etc. 3,220 million yen						
Summary of preferential negotiating rights	<p>(Note 1) Trust beneficiary interest in real estate, etc. include expenses for obtaining trust beneficiary interest related to the underlying asset, and costs for establishing the silent partnership, etc. The real estate appraisal value (as of February 1, 2023) is 13,100 million yen.</p> <p>(Note 2) Of the silent partnership investment, etc., SHR invested 220 million yen (6.8%).</p> <p>(Note 3) Toyo Real Estate Asset Management Co., Ltd. is the asset manager of the Godo Kaisha Gemini2.</p> <ul style="list-style-type: none"> <li>• Calculation period The three-month period will be from March 1 to the end of May, from June 1 to the end of August, from September 1 to the end of November, and from December 1 to the end of February of the following year. However, the first calculation period will be from March 29, 2023 to the end of August, 2023.</li> <li>• Distribution of profits and losses In the event any profit arises in each calculation period, the business operator will distribute it to the investors in accordance with the investment ratio on the end of each calculation period. In addition, in the event any loss occurs during each calculation period, the business operator will, up to the amount of the loss, distribute such loss to the investors in accordance with the investment ratio on the end of each calculation period. However, in the event that the cumulative amount of losses to be distributed to equity investors exceeds the total amount of equity investment, the limit will be the amount obtained by deducting 1 yen from the total amount of investment, and the remaining portion in excess will be distributed to the business operator.</li> </ul> <ul style="list-style-type: none"> <li>• Description of rights The right to negotiate preferential purchase in the trust beneficiary interest related to the underlying asset to be acquired by the business operator on March 30, 2023, by the end of February 2028.</li> <li>• Purchase price A reasonable amount with a base price of 12,461 million yen agreed upon by Godo Kaisha Gemini2 and SHR.</li> </ul>						

(2) Summary of the underlying asset

Property name	Ningyocho PREX
Type of specified asset	real estate trust beneficiary interest
Trustee	SMBC Trust Bank Ltd.
Period of trust contract	From December 28, 2021 to December 31, 2031
Appraisal value (Date of value)	13,100 million yen (as of February 1, 2023)

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Appraiser		Fairvalue Lab.
Location		1-9-8 Nihombashi Horidome-cho, Chuo-ku, Tokyo
Land	Lot	1-8-1~1-8-10 Nihombashi Horidome-cho, Chuo-ku, Tokyo
	Site area	692.01 m <sup>2</sup>
	Use district	Commercial district
	Building coverage ratio	80%
	Floor area ratio	700%
	Type of ownership	Ownership
Building	Use	Office, Retail
	Construction completion	December 2021
	Structure/Floors	S / 10F
	Total floor area	5,019.32 m <sup>2</sup>
	Type of ownership	Ownership
Collateral		A pledge will be established for the lender of the non-recourse loan to Godo Kaisha Gemini2, the business operator, as the pledgee.
Status of leasing and management		
Leasable area		4,786.46 m <sup>2</sup>
Leased area		4,263.93 m <sup>2</sup>
Occupancy rate		89.1%
Number of tenants		1 (7)
Monthly rent		36,233 thousand yen
Leasehold and security deposits		227,822 thousand yen
Property management company		SUMISHO BUILDING MANAGEMENT CO., LTD. (planned)
Master lease company		Godo Kaisha Gemini2 (planned)
Master lease type		Pass-through type (planned)
Contract period		From March 30, 2023 to December 31, 2031 (planned)
Outline of building engineering report		
Building replacement cost		2,500 million yen
Repair expense	Emergency repair	—
	Short-term repair	—
	Long-term repair	3,641 thousand yen
Investigator		Toyo Real Estate Co., Ltd.

Outline of earthquake PML appraisal	
PML value	5.1%
Investigator	Shinozuka Research Institute
Building designer, constructor, building inspector	
Building designer	Kumagai Gumi Co.,Ltd.
Structure designer	Kumagai Gumi Co.,Ltd.
Constructor	Kumagai Gumi Co.,Ltd.
Building inspector	URABAN HOUSING EVALUATION CENTER
Matters of special note	
None	

[Explanation of “3. Description of the Silent Partnership Equity Interest - (2) Summary of the underlying asset”]

- (1) “Appraisal value (Date of value)” is the appraisal value and date of value stated in the real estate appraisal report prepared by the appraiser that Godo Kaisha Gemini2 has entrusted with appraisal of investment real estate, where the appraisal value is rounded down to the nearest million yen.
- (2) “Location” is the indication of residential address. Residential address is based on the notice delivered by municipalities, the written property outline or written explanation of important matters. Furthermore, if there is no implementation of indication of residential address or no indication of residential address in the written property outline and written explanation of important matters, “Location” is the content of “Location of the building” section in the registry (including registration information; the same applies hereinafter) or the indication method used in practice as the location.
- (3) “Lot” and “Site area” are the parcel number (in cases where there are several, then one of them) and the sum total of parcel area based on that stated in the registry.
- (4) “Use district” is the type of use district listed in Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, including amendments thereto) (the “City Planning Act”).
- (5) “Building coverage ratio,” which is the ratio of the building area of the building to the site area as provided in Article 53 of the Building Standards Act (Act No. 201 of 1950, including amendments thereto) (the “Building Standards Act”), is the percentage figure provided in accordance with the Building Standards Act, the City Planning Act and other related laws and regulations.
- (6) “Floor area ratio,” which is the ratio of the total floor area of the building to the site area as provided in Article 52 of the Building Standards Act, is the percentage figure provided in accordance with the Building Standards Act, the City Planning Act and other related laws and regulations.
- (7) For “Land,” “Type of ownership” is the classification of the type of ownership, such as ownership right and compartmentalized ownership interest held or to be held by the trustee of the real estate trust for real estate in trust.
- (8) “Use” is the major type indicated in the registry.
- (9) “Construction completion” is based on that stated in the registry.
- (10) “Structure / Floors” is based on that stated in the registry. Furthermore, the following abbreviations are used.  
RC: Reinforced concrete structure; SRC: Steel reinforced concrete structure; S: Steel-framed structure
- (11) “Total floor area” is the sum total of floor area of the building or building in trust (excluding annex buildings, etc.) indicated in the registry.
- (12) For “Building,” “Type of ownership” is the classification of the type of ownership, such as ownership right and compartmentalized ownership interest held or to be held by the trustee of the real estate trust for real estate in trust.
- (13) “Collateral” outlines the collateral borne by Godo Kaisha Gemini2 (after acquisition), if any.
- (14) “Leasable area” refers to the total floor area which is considered to be available for leasing based on the lease agreements or building drawings, etc., effective as of the end of February 2023.
- (15) “Leased area” is the sum of the leased area indicated in the lease agreements or the leased area based on building drawings, etc., effective as of the end of February 2023.
- (16) “Occupancy rate” is the ratio of leased area to leasable area rounded to the first decimal place.
- (17) “Number of tenants” is the total number of tenants based on the contents of the lease agreement as of the end of February 2023. As for the underlying asset, the total number is stated as “1” on the assumption that all end tenants have agreed to the master lease company being the lessor since a new master lease agreement is planned to be concluded between the trustee and the master lease company. Please refer to (21) below for the definition of “master lease company” and “master lease agreement.”
- (18) “Monthly rent” refers to the monthly rent (even if there is a provision for free rent or rent holiday in the said lease agreement, the free rent and rent holiday as of the same day will not be considered.) as indicated in each lease agreement as of the end of February 2023, rounded down to the nearest thousand yen respectively. Furthermore, in such lease agreements, if there is a stipulation for the sales percentage rent in which the amount of the rent is linked to sales, the average monthly rent for each month in the past year (from March 2022 to February 2023) is used.  
In addition, the term “Free rent” is an agreement which sets up a free or reasonably minimum rent for a certain period (mainly at the time of moving in), and “Rent holiday” is an agreement which sets up a free or reasonably minimum rent regularly or irregularly, for a certain period during the rental period. The same applies hereinafter.
- (19) “Leasehold and security deposits” is the amount of the deposit and security deposit shown in each lease agreement with end tenants effective as of the end of February 2023. Leasehold and security deposits shall be rounded down to the nearest thousand yen, respectively.
- (20) “Property management company” refers to the company that is planned to be entrusted with property management operations after the acquisition of the underlying asset by Godo Kaisha Gemini2.
- (21) “Master lease company” refers to the company that is planned to conclude a master lease agreement with the trustee after the acquisition of the underlying asset by Godo Kaisha Gemini2 and become the master lease company. Furthermore, “master lease agreement” is a lease agreement of a building concluded in bulk for the purpose of the lessee subleasing the building to third parties. The same applies hereinafter.
- (22) “Master lease type” describes the type of master lease agreement which will become valid after the acquisition of the underlying asset by Godo Kaisha Gemini2. “Fixed-rent type” is a master lease in which the rent that the master lessee pays is a fixed amount regardless of the rent that the sublessee pays to the master lessee. “Pass-through type” is a master lease in which the rent that the master lessee pays

is always the same amount as the rent that the end-tenant pays to the master lessee.

- (23) “Contract period” is based on the contents of the lease agreement which will become valid after the acquisition of the underlying asset by Godo Kaisha Gemini2.
- (24) “Building replacement cost” is based on the building engineering report, excluding consumption tax, rounded down to the nearest million yen.
- (25) “Repair expenses” are based on that stated in the building engineering reports. “Short-term repair” is the investigator’s estimate of the repair and renewal expenses required within one year at the time of investigation. “Long-term repair” is the investigator’s estimate of the annual average amount of the repair and renewal expenses for 12 years at the time of investigation.
- (26) “PML value” is based on the building engineering report stating PML calculated by Shinozuka Research Institute. The concerned statement is no more than an indication of the opinion of the reporting party, and SHR does not guarantee the accuracy of the content thereof.

Furthermore, “PML” refers to a “probable maximum loss” due to an earthquake. Although there is no consistent strict definition, in this press release, “PML value” expresses the loss amount (loss amount equivalent to 475 years of reproduction) with an excess probability of 10% over the assumed expected use period (50 years=general use period of the building) is expressed as a percentage of the replacement cost. However, the amount of probable loss is limited to that for direct loss on the building (structure, finishing and building equipment) only that are caused by earthquake ground motion, and does not include damage to equipment, furniture, fixtures, etc., loss caused by post-earthquake water or fire disasters, compensation for disaster victims, operating loss due to interruption of business operations and other secondary damages.

- (27) “Matters of special note” is the matters considered important in relation to rights, use, etc., and the matters considered important in consideration of the degree of impact on the valuation, profitability and liquidity including the following matters.
- a. Key limitations or restrictions by laws and regulations
  - b. Key burdens or limitations pertaining to rights, etc. (including establishment of security interest)
  - c. Key structures, etc. crossing the boundary between the real estate or real estate in trust and the adjacent land or issues with boundary confirmation, etc., as well as agreements, etc. thereof, if any
  - d. Key matters agreed upon or agreements, etc. with co-owners or compartmentalized ownership holders

#### 4. Summary of the Business Operator of the Investment in Silent Partnership

Name	Godo Kaisha Gemini2
Location	4-2-10 Hacchobori, Chuo-ku, Tokyo, within AOJ Tax Accountant
Title and name of Representative	Representative member General Incorporated Association Gemini2 Person to execute duties Takahito Idesawa
Line of business	1. Acquisition, holding and disposal of real estate 2. Real estate leasing and management 3. Acquisition, holding and disposal of trust beneficial interests 4. Other business incidental to or related to the business listed in the preceding items
Capital	100,000 yen
Date of establishment	January 2023
Investor	General Incorporated Association Gemini2
Relationship between SHR and SHAM and the company concerned	
Capital relationship	There is no noteworthy capital relationship.
Personal relationship	There is no noteworthy personal relationship.
Business relationship	There is no noteworthy business relationship.
Applicable status to related parties	It does not fall under any of the related parties of SHR or SHAM.

**5. Future Outlook**

Please refer to “Notice Concerning Revisions to the Forecast of Operating Results and Distributions for the Fiscal Period Ending October 31, 2023” announced separately today.

**6. Summary of the Appraisal Report of the Underlying Asset**

Property name	Ningyocho PREX
Appraisal value	13,100,000,000 yen
Name of appraisal firm	Fairvalue Lab.
Date of value	February, 1 2023

(Thousand yen)

Item	Details	Description, etc.
Income approach value	13,100,000	-
Value based on direct capitalization method	13,400,000	-
Operating revenue	475,331	-
Gross potential income	500,727	Assessed new rent by taking into account rent level of similar cases and rent under the current lease agreement.
Vacancy loss, etc.	25,396	Assessed medium- to long-term stable vacancy losses based on occupancy results and future market trends of subject property and similar cases.
Operation expenses	72,995	-
Maintenance and management fee	20,413	Assessed based on current contract conditions, considering level of cost of similar cases.
Utility expenses	16,800	Assessed based on current results, considering level of expense for similar cases.
Repair expenses	1,977	Assessed based on estimated cost of engineering reports and level of repair costs for similar cases.
Property management fee	5,280	Assessed based on current contract conditions, considering past performance and level of expense for similar cases.
Tenant leasing cost, etc.	3,843	Assessed based on current contract conditions, considering the level of cost for similar cases and assumed tenant renewal rates.
Property taxes	23,129	Recorded the most recent results.
Insurance premium	1,348	Assessed based on current contract conditions and recent results.
Other expenses	204	Assessed based on current contract conditions.
Net operating income (NOI)	402,335	-
Gain on management of income from lump-sum payment	2,543	Assessed investment yield at 1.0%.
Capital expenditures	3,618	Assessed based on the estimated cost of engineering reports and level of renewal cost of similar cases.
Net cash flow (NCF)	401,260	-
Capitalization rate	3.0%	Assessed by referring to the transaction yield of similar cases and considering the individuality of the subject property, including location conditions, building specifications, rights relationships, etc.
Value of earnings calculated by discounted cash flow (DCF) method	13,100,000	-
Discount rate	2.8%	Assessed based on the capitalization rate while considering the investment yield of similar cases in addition to considering the individuality of the subject property.

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	Terminal capitalization rate	3.1%	Assessed based on capitalization rate while considering the future trends in investment yields, risk of subject property as an investment target, general forecasts of future economic growth rate, and the fluctuation rate of real estate prices and rent, etc.
	Cost method value	11,100,000	-
	Ratio of land	70.0%	-
	Ratio of building	30.0%	-

Items considered upon determining appraisal value	-
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(Note) As the amounts are given in units of thousand yen, the amounts may not add up to the figures for operating revenue, operating expenses and other items.

\*Comparison with average rent unit price for the lease agreement

Average rent unit price for the appraisal price	8,427yen/ m <sup>2</sup> (27,860yen/tsubo)
Average rent unit price for lease agreements	8,497yen/ m <sup>2</sup> (28,092yen/tsubo)

(Note 1) "Average rent unit price related to appraisal" is the average rent unit price based on "rent revenue from rental rooms with common area charges" in the direct capitalization method described in the appraisal report.

(Note 2) "Average rent unit price related to lease contracts" is the average rent unit price based on the monthly rent in "3. Description of the Silent Partnership Equity Interest" above.

\* Sekisui House Reit, Inc. website: <https://sekisuihouse-reit.co.jp/en/>

<Attachments>

Reference Material: Photograph of the Property and Map of the Surrounding Area of the Property



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