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For Immediate Release

Investment Corporation
 Japan Real Estate Investment Corporation
 Jo Kato, Executive Director
 (TSE code: 8952)

Asset Management Company
 Japan Real Estate Asset Management Co., Ltd.
 Shojiro Kojima, President & CEO
 Contact: Masaru Motooka
 Executive Officer & General Manager
 Strategic Planning Department
 Phone: +81-3-3211-7951

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 Foresia (additional acquisition) (ratio of ownership interest: 22%)
Acquisition price (planned)	JPY 19,756 million
Seller	Toyosu 3 Chome Kaihatsu TMK
Brokerage	No
Decision date	February 13, 2024
Contract date (scheduled)	February 14, 2024
Transfer date (scheduled)	February 14, 2024
Payment date (scheduled)	February 14, 2024

(Note) The ratio of ownership interest in the field of “Property name” indicates the percentage of JRE’s ownership interest in the entire property. JRE acquired partial ownership of the property (9%) on February 27, 2023, and the total ownership ratio will become 31% with the additional acquisition.

2. Reason for the Acquisition

JRE will acquire the property pursuant to the policies and types of assets targeted for asset investment stipulated in its Articles of Incorporation. The property is high-specification building with great functionality, situated in a favorable location in central Tokyo, which JRE determined will contribute to enhancing its medium- to long-term competitiveness and expanding its asset size.

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

Toyosu Foresia is an office building completed in 2014 with high specification features including a typical floor plate of approximately 4,500 m², a ceiling height of 2.85 meters, and a raised floor of 150 millimeters. 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 Property to Be Acquired

Property name	Toyosu Foresia (additional acquisition) (ratio of ownership interest: 22%)	
Type of specified asset	Trust beneficiary interest in domestic real estate	
Type of ownership		
	Land	Ownership (co-ownership interest: 22/100)
	Building	Ownership (co-ownership interest: 22/100)
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 ² (area stated in the real property registry)
	Building	98,176.19 m ² (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 ²	
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 19,900 million (as of February 1, 2024)	
Appraisal institution	Daiwa Real Estate Appraisal Co., Ltd.	
Outline of lease		
	Total number of tenants	31
	Total rent revenues	JPY 1,073 million per year
	Security deposit	JPY 1,131 million
	Total leased area	14,617 m ²
	Net rentable area	14,746 m ²
Occupancy rate	March 31, 2022	97.9%
	September 30, 2022	97.9%
	March 31, 2023	97.9%
	September 30, 2023	97.1%
	Scheduled acquisition date	99.1%

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"> • 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 713 million a year (an estimated amount) • Depreciation: JPY 222 million a year (an estimated amount) 	

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 February 28, 2023)
Date of establishment	November 29, 2011
Net assets	JPY 40,392 million (as of February 28, 2023)
Total assets	JPY 41,418 million (as of February 28, 2023)
Major shareholders and their shareholding percentages (as of Feb. 13, 2024)	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	The company is the previous owner and trust beneficiary of one of the JRE-owned properties.
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 “Outline of Seller” above
	Acquisition background and reason, etc.	Newly built in June 2014
	Acquisition price	— (Note)
	Acquisition date	— (Note)

(Note) The descriptions are omitted because there is no second previous owner, as the building was developed by the previous owner.

6. Transaction with Interested Party

This 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 and cash on hand

(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 2024 (October 1, 2023 to March 31, 2024) and the fiscal period ending September 2024 (April 1, 2024 to September 30, 2024) as the acquisition will likely have only a marginal effect on performance.

<Reference>

Performance forecasts announced on November 15, 2023 and actual results

	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, 2023 (Actual)	38,627	18,048	17,086	17,075	12,000	0
March 31, 2024 (Forecast)	41,300	19,530	18,500	17,850	11,700	0
September 30, 2024 (Forecast)	34,980	14,280	13,180	14,170	11,300	0

9. Summary of Appraisal Report

Property name	Toyosu Foresia (additional acquisition) (ratio of ownership interest: 22%)
Appraisal value	JPY 19,900 million
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Date of value	February 1, 2024

Item	Amount	Description
Value indicated by the income approach	19,900,000	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	20,200,000	
(1) Operating income [①-②]	1,173,304	
① Potential rental income	1,225,980	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	52,676	Recorded based on average vacancy rates of comparable properties, considering the competitiveness of the subject property
(2) Operating expenses	409,326	
Maintenance and management fee	174,039	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	101,854	Estimated referring to expenses incurred in previous years
Repair expenses	13,673	Estimated according to the average annual expenses stated in the engineering report
Leasing cost	9,043	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	104,247	Estimated based on the taxes levied for fiscal year 2023
Insurance Premium	1,642	Recorded based on an insurance premium estimate
Other expenses	4,824	Recorded based on consumable expenses and expenses incidental to the maintenance and management fee, etc.
(3) Net operating income [(1)-(2)]	763,978	
(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	37,065	Estimated referring to the average annual repair/renewal expenses stated in the engineering report
(6) Net cash flow [(3)+(4) - (5)]	726,912	
(7) Capitalization rate	3.6%	Estimated referring to the market capitalization rates of comparable properties
Value indicated by the DCF method	19,800,000	
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	22,400,000	
Land ratio	72.4%	
Building ratio	27.6%	

* 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.

This is the English translation of the announcement in Japanese dated February 13, 2024.
No assurance or warranties are given for the completeness or accuracy of this English translation.

(Reference) map of Toyosu Foresia



(Reference) Exterior of Toyosu Foresia

