

# **Articles of Incorporation of the Investment Corporation**

NIPPON REIT Investment Corporation

## Chapter 1      General Provisions

### Article 1      Trade Name

The Investment Corporation shall have the trade name of 日本リート投資法人 and the English language trade name of NIPPON REIT Investment Corporation.

### Article 2      Purpose

The Investment Corporation shall be for the purpose of conducting investments in real properties and other assets (as defined by the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Order of the Prime Minister's Office No. 129 of 2000; as amended) (the "Investment Trust Act Enforcement Regulation")) that are specified assets (referring to specified assets as defined in Article 2.1 of Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; as amended) (the "Investment Trust Act"); hereinafter the same), based on the Investment Trust Act.

### Article 3      Location of Head Office

The head office of the Investment Corporation shall be located in Minato-ku, Tokyo.

### Article 4      Method of Public Notice

Public notice of the Investment Corporation shall be conducted by electronic public notice. In case the Investment Corporation is unable to conduct electronic public notice because of unavoidable circumstances, public notice of the Investment Corporation shall be conducted by posting a notice in The Nikkei.

## Chapter 2      Investment Units

### Article 5      Total Number of Authorized Investment Units

- 5.1 The total number of authorized investment units of the Investment Corporation shall be 16.00 million units.
- 5.2 Of the total value of authorized investment units of the Investment Corporation, the value of investment units offered in Japan shall exceed 50%.
- 5.3 The Investment Corporation may offer investment units within the scope of the total number of authorized investment units referred to in Article 5.1, with the approval of the Board of Directors. The amount to be paid for each investment unit upon issue of said offer shall be determined by Executive Directors as a fair value for the assets held by the Investment Corporation (the "Investment Assets"), and the value shall be approved by the Board of Directors.

### Article 6      Matters Concerning Handling of Investment Units

Unless otherwise provided for by law or these Articles of Incorporation, entry or recording in the

Investment Corporation's investor registry, procedures to exercise unitholders' rights, other procedures, and fees, shall be in accordance with the Investment Unit Handling Rules established by the Board of Directors.

Article 7            Minimum Net Assets Held by the Investment Corporation at All Times

The minimum net assets held by the Investment Corporation at all times shall be 50.00 million yen.

Article 8            Refund for Investment Units at Request of Unitholder and Repurchase of Investment Units by Agreement

- 8.1    The Investment Corporation shall not provide a refund for investment units at a request of a unitholder.
- 8.2    The Investment Corporation may repurchase its investment units, with cash consideration, by agreement with unitholders.

Chapter 3            Unitholders' Meetings

Article 9            Convocation and Convention

- 9.1    Convocation of unitholders' meetings of the Investment Corporation shall occur without delay on September 1, 2017 or thereafter, and subsequently on September 1 or thereafter every second year. Extraordinary unitholders' meetings may be held if necessary.
- 9.2    Unless otherwise provided for by law, if there is only one Executive Director, said Executive Director shall convene unitholders' meetings of the Investment Corporation, and if there are two or more Executive Directors, one Executive Director shall convene unitholders' meetings of the Investment Corporation in accordance with formalities prescribed by the Board of Directors, with the approval of the Board of Directors.
- 9.3    In order to convene a unitholders' meeting, public notice must be posted by the day that is two months prior to the date of the unitholders' meeting, and notice must be sent to unitholders either in writing or by electronic means by the day that is two weeks prior to the unitholders' meeting. However, public notice shall not be required if the unitholders' meeting is held prior to 25 months from the date of the previous unitholders' meeting held in accordance with the first sentence of Article 9.1.
- 9.4    Upon convening a unitholders' meeting, the Investment Corporation shall use electronic delivery measures to provide information contained in unitholders' meeting reference documents, etc.
- 9.5    The Investment Corporation may omit all or any of the items prescribed in the Investment Trust Act Enforcement Regulation to be so delivered electronically from documents to be delivered to unitholders that have requested the delivery of printed documents on or before the record date for voting rights.

#### Article 10      Chairperson

If there is only one Executive Director, said Executive Director shall chair unitholders' meetings of the Investment Corporation, and if there are two or more Executive Directors, one Executive Director shall chair unitholders' meetings of the Investment Corporation in accordance with formalities prescribed by the Board of Directors. If all Executive Directors are absent or in the case of an accident, a Supervisory Director shall chair the unitholders' meeting in accordance with formalities prescribed by the Board of Directors.

#### Article 11      Resolutions

Except when otherwise provided by laws and regulations or these Articles of Incorporation, resolutions of unitholders' meetings shall be adopted by a majority of the voting rights held by unitholders in attendance.

#### Article 12      Voting by Proxy

Unitholders may exercise voting rights by appointing one proxy who is a unitholder of the Investment Corporation and is entitled to exercise voting rights. In such an instance the unitholder or the unitholder's proxy shall submit to the Investment Corporation, in advance, a document evidencing the authority of the proxy at each unitholders' meeting.

#### Article 13      Exercise of Voting Rights in Writing

- 13.1 Voting rights may be exercised by unitholders in writing by filling in the required fields in the form for exercising voting rights ("Voting Form"), and submitting the Voting Form with the required fields filled in to the Investment Corporation by the time stipulated by law.
- 13.2 The number of voting rights exercised in writing pursuant to the provisions of the Article 13.1 shall be included in the number of voting rights of unitholders in attendance.

#### Article 14      Exercise of Voting Rights by Electronic Means

- 14.1 Exercise of voting rights by electronic means may be conducted with the consent of the Investment Corporation by submitting a Voting Form with the necessary fields filled in electronically to the Investment Corporation by the time stipulated by law, in accordance with stipulations of the law.
- 14.2 The number of voting rights exercised by electronic means based on the provisions of the Article 14.1 shall be included in the number of voting rights of unitholders in attendance.

#### Article 15      Deemed Agreement

- 15.1 If a unitholder does not attend a unitholders' meeting and does not exercise voting rights, it is deemed that said unitholder agrees to proposals that were submitted to the unitholders meeting (if multiple proposals were submitted, and some of these proposals contradict each other, all of said proposals are excluded).

- 15.2 The number of voting rights held by unitholders that are deemed to have been used to agree to proposals pursuant to the provisions of the Article 15.1 shall be included in the number of voting rights of unitholders in attendance.
- 15.3 The provisions of the Article 15.1 and 15.2 of the deemed agreement shall not be applied to the resolutions of the proposals pertaining to Article 104(1) (Dismissal of Director and Accounting Auditor), Article 140 (Revising the Articles of Incorporation) (provided that this is only applicable to the creation, revision, and abolition of the provisions related to the deemed agreement), Article 143(iii) (Dissolution), Article 205(2) (Consent to the Cancellation of Entrustment Contract for Asset Management by Asset Manager) or Article 206(1) (Cancellation of Entrustment Contract for Asset Management by Investment Corporation) of the Investment Trust Act.

#### Article 16 Record Date

- 16.1 If a unitholders' meeting is held within three months of the End of Fiscal Period (defined in Article 34; hereinafter the same) voting rights may be exercised at the unitholders' meeting of the Investment Corporation subject to the convocation by unitholders that were entered or recorded in the final investor registry of the previous End of Fiscal Period.
- 16.2 Irrespective of the provisions of the Article 16.1, if necessary, unitholders or registered pledgees of investment units that have been entered or recorded in the investor registry by the end of the date stated in advance by public notice may be deemed to be able to exercise their rights by the Investment Corporation by resolution of the Board of Directors.

#### Article 17 Minutes of Unitholders' Meetings

Minutes shall be drafted, stating and recording the proceedings of unitholders' meetings, as well as results and other matters stipulated by law.

#### Article 18 Matters Relating to Unitholders' Meetings

Matters relating to unitholders' meetings shall be governed by the Unitholders' Meeting Regulations devised by the Board of Directors except where governed by law or these Articles of Incorporation.

### Chapter 4 Directors and the Board of Directors

#### Article 19 Number of Executive Directors and Supervisory Directors

The Investment Corporation shall have no more than two Executive Director and no more than three Supervisory Directors (The number of Supervisory Directors must also be one more than the number of Executive Directors.). The Board of Directors shall comprise Executive Directors and Supervisory Directors ("Directors").

Article 20 Election and Tenure of Executive Directors and Supervisory Directors

- 20.1 Directors shall be elected by resolution of a unitholders' meeting unless otherwise provided for by law.
- 20.2 The tenure of Directors shall be two years. However, this does not preclude shortening or extension of this period by resolution of a unitholders' meeting within the limits prescribed by law. Furthermore, the tenure of a Director elected as a substitute or to increase the number of Directors shall be the same as the remaining tenure of the predecessor or incumbent Directors.
- 20.3 The effective period of resolutions relating to the election of substitute Directors shall be until the end of the tenure of non-substitute Directors who were elected at the unitholders' meeting at which the resolution was made (if no Directors were elected at the relevant unitholders' meeting, the most recent unitholders' meeting at which Directors were elected shall apply). However, this does not preclude shortening of this period by resolution of a unitholders' meeting.

Article 21 Standards for Payment of Remuneration to Executive Directors and Supervisory Directors

Standards for payment of remuneration to Directors by the Investment Corporation and the timing of payment are as follows.

- (1) Remuneration for each Executive Director shall be determined by the Board of Directors as an amount judged to be reasonable in light of general price trends, wage trends and other factors, up to a maximum of 800 thousand yen per person per month. The amount for each month shall be paid by the end of the relevant month.
- (2) Remuneration for each Supervisory Director shall be determined by the Board of Directors as an amount judged to be reasonable in light of general price trends, wage trends and other factors, up to a maximum of 500 thousand yen per person per month. The amount for each month shall be paid by the end of the relevant month.

Article 22 Exemption of Executive Directors and Supervisory Directors from Duty to Compensate the Investment Corporation for Damage

If a Director has liability under Article 115-6 (1) of the Investment Trust Act, and if the relevant Director acts in good faith and without gross negligence, the Investment Corporation may exempt the relevant Director from liability within the limit stipulated by law, if deemed to be particularly necessary in consideration of the circumstances that led to the liability, the status of execution of the duties of the relevant Director, and other circumstances.

Article 23 Convocation and Chairperson

- 23.1 Unless otherwise provided for by law, if there is only one Executive Director, said Executive Director shall convene Board of Directors meetings of the Investment Corporation, and if there are two or more Executive Directors, one Executive Director shall convene Board of Directors

meetings of the Investment Corporation in accordance with formalities prescribed by the Board of Directors.

- 23.2 Notice of convocation of meetings of the Board of Directors shall be provided to all Directors at least three days prior to the meeting date. However, the convocation period may be shortened or convocation procedures may be omitted by agreement of all Directors.

#### Article 24 Resolutions

Except when otherwise provided by law or these Articles of Incorporation, resolutions of the Board of Directors shall be passed by a majority of the votes of Directors who are entitled to vote and are in attendance, at a meeting attended by a majority of members.

#### Article 25 Minutes of Board of Directors Meetings

Minutes shall be drafted, stating and recording the proceedings of Board of Directors meetings, as well as results and other matters stipulated by law. The minutes shall include a signature, name and seal, or electronic signature from all Directors in attendance.

#### Article 26 Board of Directors Meeting Regulations

Matters relating to Board of Directors meetings shall be governed by the Board of Directors Meeting Regulations devised by the Board of Directors in addition to where governed by law or these Articles of Incorporation.

### Chapter 5 Accounting Auditors

#### Article 27 Election of Accounting Auditors

Accounting Auditors shall be elected by resolution of a unitholders' meeting unless otherwise provided for by law.

#### Article 28 Tenure of Accounting Auditors

- 28.1 The tenure of accounting auditors shall be until the conclusion of the first unitholders' meeting held after the End of Fiscal Period after one year has passed since assuming the role.
- 28.2 If a resolution is not otherwise passed at the unitholders' meeting referred to in the Article 28.1, accounting auditors shall be deemed to be reappointed at that unitholders' meeting.

#### Article 29 Standards for Payment of Remuneration to Accounting Auditors

Remuneration of accounting auditors shall be determined by the Board of Directors up to a maximum of 20.00 million yen per financial period subject to audit. In principle, it shall be paid within two months of receipt of an invoice issued by the accounting auditor after receipt of all audit reports for the relevant End of Fiscal Period required according to the Investment Trust Act and other laws.

Article 30      Liability of Accounting Auditors to the Investment Corporation

If an Accounting Auditor has liability under Article 115-6 (1) of the Investment Trust Act, and if the relevant Accounting Auditor acts in good faith and without gross negligence, the Investment Corporation may exempt the relevant Accounting Auditor from liability within the limit stipulated by law, if deemed to be particularly necessary in consideration of the circumstances that led to the liability, the status of execution of the duties of the relevant accounting auditor, and other circumstances.

Chapter 6              Investment Targets and Investment Policy

Article 31      Investment Targets and Investment Policy

Investment Targets and Investment Policy of the Investment Corporation shall be as stipulated in Exhibit 1. Exhibit 1 is attached to the end of these Articles of Incorporation and shall be deemed to be an inseparable part of these Articles of Incorporation.

Chapter 7              Method, Standards, and Record Date of Asset Valuation

Article 32      Method, Standards, and Record Date of Asset Valuation

Method, standards, and record date of valuation of assets of the Investment Corporation shall be as stipulated in Exhibit 2. Exhibit 2 is attached to the end of these Articles of Incorporation and shall be deemed to be an inseparable part of these Articles of Incorporation.

Chapter 8              Limited Amount of Debt and Issue of Investment Corporation Bonds.

Article 33      Limited Amount of Debt and Issue of Investment Corporation Bonds

- 33.1 The Investment Corporation may borrow funds or issue investment corporation bonds (including short-term investment corporation bonds; hereinafter the same) for the purpose of securing stable income and ensuring growth of the Investment Assets. If funds are borrowed, such borrowing shall be limited to borrowing from qualified institutional investors as defined in Article 2 (3) (i) of the Financial Instruments and Exchange Act (Act No. 25 of 1948; as amended; the “Financial Instruments and Exchange Act”) (limited to institutional investors that meet the definition of institutional investors in Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957; as amended; the “Act on Special Measures Concerning Taxation”)).
- 33.2 The purpose of funds obtained from loans or investment corporation bonds referred to in the Article 33.1 shall include acquisition of assets, repairs, payment of distributions, funds required for the operation of the Investment Corporation, or repayment of debts (including repayment of tenant leasehold and security deposits, repayment of loans, and redemption of investment corporation bonds). The purpose of funds raised through the issue of short-term investment corporation bonds shall be limited to the extent stipulated by law.



33.3 If funds are borrowed or if investment corporation bonds are issued under Article 33.1, the Investment Corporation may provide the Investment Assets as collateral.

33.4 The maximum value of borrowed funds and investment corporation bonds issued shall be 1 trillion yen each and the total value shall not exceed 1 trillion yen.

## Chapter 9                      Accounting

### Article 34                      Fiscal Period

The business periods of the Investment Corporation shall be From January 1 to June 30 and from July 1 to December 31 each year (the final day each of these business periods is the “End of Fiscal Period”).

### Article 35                      Cash Distribution Policy

#### 35.1 (1)                      Distribution Policy

In principle, the Investment Corporation shall make distributions according to the following policy.

- (a) Of the total funds distributed to unitholders, the amount of profit (“Distributable Funds”) shall be profit calculated according to the Investment Trust Act and business accounting practices generally accepted in Japan.
- (b) In principle, distributed funds shall be an amount greater than 90% of the amount of profit that may be allocated as distributions (“Profit Available for Distribution”) according to Article 67-15 (1) of the Act on Special Measures Concerning Taxation (“Special Provisions on Taxation of Investment Corporations”) (if there are changes to the content or proportion of Profit Available for Distribution due to revision of laws, the revised content or proportion shall apply; hereinafter the same), determined by the Investment Corporation. However, this shall not apply if a tax loss arises or if no tax profit arises due to a carry-over of loss; rather an amount deemed reasonable by the Investment Corporation shall apply. The Investment Corporation may use Distributable Funds to establish long-term reserve fund for repairs deemed necessary for maintenance or increasing value of the Investment Assets, distribution reserve fund, reserve fund for reduction entry, reserve fund for adjustment of temporary difference, or similar reserve funds, as well as other necessary funds such as allowances, and either hold or otherwise allocate said funds.
- (c) Profit that is retained without being appropriated for distribution, and profit that is earned before the End of Fiscal Period, shall be subject to investment by the Investment Corporation, and invested according to the Investment Corporation’s policies.

#### (2)                      Distribution of Funds in Excess of Profit

If the Investment Corporation deems it appropriate, it may determine an amount and distribute funds in excess of profit, up to the maximum amount stipulated by the

Investment Trusts Association of Japan's regulations. However, if the Investment Corporation is able to limit corporation or other tax, it may determine an amount and distribute funds in excess of profit to effect this purpose.

(3) Method of Distribution

Distributions according to this article shall be made by cash. In principle, distributions shall be made to unitholders or registered pledgees of investment units entered or recorded in the final investor registry of the End of Fiscal Period, within three months of the End of Fiscal Period according to the number of investment units held.

(4) Exclusion Period of Right to Claim Distributions

If three years have passed since the date any distribution commenced under this article without any distributed funds being received, the Investment Corporation shall be exempt from any obligation to distribute such funds. Interest does not accrue on funds yet to be distributed.

(5) Regulations of the Investment Trusts Association of Japan

In addition to matters stipulated in clauses (1) through (4), the Investment Corporation shall abide by the regulations of the Investment Trusts Association of Japan.

Article 36 Burden of Costs

36.1 If the Asset Manager engaged by the Investment Corporation advances payment for taxes or other public charges relating to the Investment Assets or for expenses required to conduct administrative matters, the Investment Corporation shall be responsible for interest in arrears or damages if there is a claim for such in relation to said advance.

36.2 In addition to those described in the preceding section, the Investment Corporation shall be responsible for the following costs.

- (1) Costs relating to issue and listing of investment securities or rights certificates to subscribe for investment units (costs relating to drafting, printing, and issuing certificates)
- (2) Costs relating to drafting, printing, and issuing securities registration statements, annual securities reports, extraordinary reports, and other disclosure documents
- (3) Costs relating to drafting, and issuing prospectuses, overseas prospectuses, or other materials for the purpose of marketing and selling investment units
- (4) Costs relating to drafting, printing, and submitting legally required financial statements, asset management reports, etc. (including costs of submission to competent authorities)
- (5) Costs relating to advertising and publicity of the Investment Corporation, etc.
- (6) Remuneration or expenses of experts (including remuneration of legal counsel and judicial scriveners and costs for appraisal and asset inspection)
- (7) Costs incurred by Executive Directors and Supervisory Directors, insurance premiums, and advances, etc., as well as costs from holding unitholders' meetings and meetings of the Board of Directors, etc.

- (8) Costs relating to acquisition or disposal of Investment Assets and asset management (including brokerage fees, management outsourcing costs, trust fees, nonlife insurance premiums, maintenance and repair costs, and utilities expenses)
- (9) Interest on loans and investment corporation bonds
- (10) Costs required for operation of the Insurance Corporation
- (11) Other costs incurred by the Investment Corporation that are similar to those listed in the clauses above

#### Article 37 Consumption Tax and Other Local Consumption Taxes

- 37.1 The amounts recorded in these Articles of Incorporation exclude all consumption tax and local consumption taxes (“Consumption Taxes”) unless otherwise provided.
- 37.2 The Investment Corporation shall pay an amount commensurate with Consumption Taxes, along with management fees and other costs and money to be paid by the Investment Corporation based on these Articles of Incorporation that are subject to taxation under the Consumption Tax Act (Act No. 108 of 1988; as amended).

### Chapter 10 Outsourcing of Work and Administration

#### Article 38 Standards for Payment of Asset Management Fees to Asset Manager

Standards relating to payment of asset management fees to Asset Manager to which management of assets is outsourced by the Investment Corporation (“Asset Manager”) are stipulated in Exhibit 3, which constitutes part of these Articles of Incorporation.

#### Article 39 Outsourcing of Work and Administration

- 39.1 The Investment Corporation outsources operations relating to investment of assets to Asset Manager and work relating to custody of assets to asset custody company according to Article 198 and Article 208 of the Investment Trust Act.
- 39.2 The Investment Corporation outsources administration relating to operations other than those relating to investment and custody of assets, that are stipulated in Article 117 of the Investment Trust Act, to third party.

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## Investment Targets and Investment Policy

### 1. Basic Asset Investment Policy

The Investment Corporation shall conduct investments with the aim of ensuring growth of Investment Assets and securing steady profits in the medium to long term.

### 2. Investment Stance

(1) The main investment target of the Investment Corporation is Real Estate and Related Assets, (defined in 3.(1), below; hereinafter the same) for office and residential properties, and the Investment Corporation also invests in Real Estate and Related Assets for other purposes. In addition, the Investment Corporation may invest in Real Estate-backed Securities (defined in 3.(2), below) or Real Estate-related Loans and Other Assets (defined in 3.(3), below).

(2) The main regions in which the Investment Corporation conducts investment are Tokyo Economic Area (Tokyo, Kanagawa, Chiba, and Saitama prefectures; hereinafter the same) for office properties, the three major metropolitan areas (Tokyo Economic Area, Osaka Economic Area (Osaka, Kyoto, and Hyogo) and Nagoya Economic Area (Aichi, Gifu, and Mie)) for residential properties.

(3) If there are unforeseeable sudden changes in market trends, general economic conditions, or real estate market trends, and there is a risk to the profits of unitholders, the Investment Corporation may take necessary steps to protect the profits of unitholders, irrespective of the preceding clauses.

(4) The Investment Corporation shall make investments so that composition of assets held is in accordance with the following policies.

The Investment Corporation shall ensure that the proportion of total specified assets held accounted for by specified real estate (real estate, real estate leasehold rights, surface rights of land, or beneficiary interests in trusts which hold real estate, land leasehold rights or surface rights of land) is at least 75%.

### 3. Type, Purpose, and Scope of Investment Assets That Are Specified Assets

(1) The Investment Corporation shall mainly conduct investment in (1) real estate (2) real estate leasehold rights (3) surface rights of land, and (4) trust beneficiary rights only concerning holding said assets in trust (collectively “Real Estate and Related Assets”).

(2) The Investment Corporation may conduct investment in the following specified assets in addition to Real Estate and Related Assets. Real Estate and Related Assets and assets listed in (a) are collectively referred to as “Real Estate Equivalents.” The following assets listed in (b) through (g) for the purpose of conducting investments in Real Estate Equivalents

exceeding 50% of total asset value are collectively referred to as “Real Estate-backed Securities.”

- (a) Trust beneficiary rights over trust funds mainly for the purpose of conducting investments in real estate, real estate leasehold rights, and surface rights of land
  - (b) Share of funds where one party provides funds for investment in Real Estate Equivalents by the other party, the other party conducts investment in Real Estate Equivalents that primarily include assets for which funds have been provided, and a contract is entered to distribute profits that arise from said investment (“Silent Partnership Equity Interest”)
  - (c) Beneficial interests over a monetary trust of which the purpose is to manage the trust property mainly as an investment in Silent Partnership Equity Interest
  - (d) Preferred unit investment securities for the purpose of investing in Real Estate Equivalents exceeding half the value of collateral assets (as defined by the Act on the Securitization of Assets (Act No. 105 of 1998; as amended) the “Asset Securitization Act”)).
  - (e) Beneficiary certificates (as referred to by the Trust Beneficiary Act; limited to investment trusts where the trust assets are primarily Real Estate Equivalents)
  - (f) Investment securities (as referred to by the Trust Beneficiary Act; limited to where the trust assets of the Investment Corporation are primarily Real Estate Equivalents)
  - (g) Specified purpose trust beneficiary certificates (as referred to by the Asset Securitization Act; limited to specified purpose trusts where the trust assets are primarily Real Estate Equivalents)
- (3) The Investment Corporation may conduct investment in the following other specified assets in addition to the specified assets listed in (1) and (2), above.
- (a) Deposits
  - (b) Call loans
  - (c) Limited liability company membership
  - (d) Shares of Stock (limited to those invested in connection with investments in Real Estate Equivalents)
  - (e) Trust beneficiary interests of trusts concerning assets listed in (2)(b) through (g), above
  - (f) Trust beneficiary interests over trust funds mainly for the purpose of conducting investments in assets listed in (2)(b) through (g), above
  - (g) Monetary claims such as loan claims to specific purpose companies (as set forth in the Asset Securitization Act), special purpose companies and other similar types of corporations, etc. for the purpose of investing in Real Estate and Related Assets or assets listed in (2)(a) or (c) above (“Real Estate-related Loans and Other Monetary Claims”)

- (h) Corporate bonds issued by limited liability companies for the purpose of investing in Real Estate-related Loans and Other Monetary Claims
  - (i) Trust beneficiary interests of trusts concerning Real Estate-related Loans and Other Monetary Claims (assets listed in (f) above through this (h) are collectively referred to as “Real Estate-related Loans and Other Assets”)
  - (j) Rights under an investment limited liability partnership agreement as stipulated by the Limited Partnership Act for Investment (Act No. 90 of 1998, as amended) (limited to those where the ultimate underlying assets are Real Estate Equivalents such as investments in Real Estate-backed Securities or Real Estate-related Loans and Other Monetary Claims)
  - (k) Negotiable instruments (excluding (1)(d), (2), and (c) through (f), (h) through (j), above, as well as (o), below)
  - (l) Rights relating to derivative transactions (as stipulated by the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000; as amended; the “Investment Trust Act Enforcement Order”))
  - (m) Monetary claims (as stipulated by the Investment Trust Act Enforcement Order, but excluding (g) above)
  - (n) Renewable power generation facilities (as stipulated by the Investment Trust Act Enforcement Order; hereinafter the same)
  - (o) Trust beneficiary interests over a monetary trust of which the purpose is using trust assets to conduct investments in things listed in (a) through (n), above
- (4) The Investment Corporation may conduct investment in the following assets in addition to the specified assets listed in (1) through (3), above.
- (a) Specified units as provided for by the Asset Securitization Act (limited to where substantially for the purpose of investing in assets listed in (1) or (2), above)
  - (b) Trademarks provided for by the Trademark Act (Act No. 127 of 1959; as amended) or exclusive or non-exclusive licenses (limited to licenses associated with investments in assets listed in (1) or (2), above)
  - (c) Right to use hot springs provided for by Article 2(1) of the Hot Springs Act (Act No. 125 of 1959; as amended) or facilities relating to said hot springs (limited to facilities associated with investments in assets listed in (1) or (2), above)
  - (d) Easements
  - (e) Copyright, etc. (as stipulated in the Copyright Act (Act No. 48 of 1970; as amended))
  - (f) Chattels (as stipulated in the Civil Code (Act No. 89 of 1896; as amended) (excluding renewable power generation facilities)

- (g) Carbon dioxide equivalent quota based on the Act on Promotion of Global Warming Countermeasures (Act No. 117 of 1998; as amended) and other similar items, or emission credits (including greenhouse gas emission credits)
- (h) Contributions as stipulated in the Shinkin Bank Act (Act No. 238 of 1951, as amended)
- (i) Contributions as stipulated in the Small and Medium-sized Enterprise Cooperatives Act (Act No. 181 of 1949, as amended)
- (j) Other rights acquired in connection with investments in Real Estate Equivalents or Real Estate-backed Securities or necessary to conduct said investments

#### 4. Investment Restrictions

- (1) The Investment Corporation shall conduct investment in negotiable instruments listed in 3.(3)(k), above, and monetary claims listed in 3.(3)(m), above, valuing safety and liquidity, and shall not conduct investment for the sole aim of actively acquiring profit.
- (2) The Investment Corporation shall not conduct investments in rights relating to derivative transactions listed in 3.(3)(l), above, for the sole purpose of hedging the Investment Corporation's exchange risks, currency fluctuation risks, and other risks.
- (3) The Investment Corporation shall not conduct investment in real estate located outside of Japan (including Real Estate Equivalents that do not include real estate and Real Estate Equivalents used as collateral for Real Estate-backed Securities)
- (4) The Investment Corporation shall not conduct investment in foreign currency assets.
- (5) The Investment Corporation shall not receive negotiable instruments or conduct margin transactions.

#### 5. Purpose and Scope of Loan of Included Assets

- (1) In principle, the Investment Corporation shall conduct loans for the purpose of investment by concluding lease agreements with third parties, and require trustees of real estate that is trust assets relating to trust beneficiary rights that are specified assets to enter lease agreements with third parties in order to conduct loans.
- (2) The Investment Corporation may receive a deposit or guarantee or similar payment when leasing real estate, and shall conduct investment of money received in accordance with 1. through 4., above.
- (3) The Investment Corporation may loan Investment Assets other than those that include real estate.



## Method, Standards, and Record Date of Asset Valuation

1. In principle, the method of valuing Investment Corporation's assets for each type of Investment Assets shall be as follows, in accordance with the Regulation on Investment Corporation Calculation (Cabinet Office Order No. 47 of 2006; as amended), regulations relating to real estate investment trusts and real estate investment corporations drafted by the Investment Trusts Association of Japan, other regulations of the Investment Trusts Association of Japan, and generally accepted business accounting practices.
  - (1) Real estate, real estate leasehold rights, and surface rights of land (as referred to in Article 31 and 1.(1)(a) through (c) of Exhibit 1)

Valuation shall be the acquisition cost less accumulated depreciation. In principle, calculation of depreciation of buildings and equipment shall use the straight-line method; however, if the straight-line method of calculation becomes unsuitable for a legitimate reason, and if it is reasonably determined that there are no investor protection issues, calculation may be conducted using another method.
  - (2) Trust beneficiary rights and Silent Partnership Equity Interest (as referred to in Article 31, and 3.(1)(d), 3.(2)(b), and 3.(3)(e) of Exhibit 1)

If trust assets or assets that comprise silent partnerships are listed in (1), above, and if there are financial assets or liabilities valued in accordance with (1), above, the value of share of trust beneficiary rights or value of Silent Partnership Equity Interest shall be calculated by deducting the total value of liabilities from the total value of assets, having conducted valuation in accordance with generally accepted business accounting practices.
  - (3) Negotiable instruments (as referred to in Article 31, and 3.(2)(d), (e), (f), and (g) and 3.(3)(d), (h), (i), (j) and (k) of Exhibit 1)

If negotiable instruments are classified as held-to-maturity debt securities, those securities shall be valued at the acquisition costs. However, if such debt securities are acquired at prices lower or higher than their face values and the nature of the difference between the acquisition cost and the face value is deemed to be an interest rate adjustment, their value shall be calculated based on the amortized cost method. If negotiable instruments are classified as the other securities, they shall be valued at the market values. However, in case of shares, etc. for which there is no market price, they shall be valued at the acquisition costs.
  - (4) Monetary claims (as referred to in Article 31, and 3.(3)(g) and (m) of Exhibit 1)

Valuation shall be the acquisition cost less allowance for doubtful accounts. However, if a claim was acquired at a higher or lower price than the amount of the claim, and the nature of the difference between the acquisition cost and the amount of the claim is recognized as being an interest adjustment, the valuation shall be the price calculated according to the amortized cost method less allowance for doubtful accounts.

- (5) Beneficiary rights over money held in trust (as referred to in Article 31, and 3.(2)(a) and (c), and 3.(3)(f) and (o) of Exhibit 1)

If assets are valued in accordance with valuation methods listed in (1) through (4), above, and (6) and (7), below according to the individual investment assets, and there are financial assets or liabilities, they shall be valued according to the value of share of trust beneficiary rights arrived at by deducting the total amount of liabilities from the total amount of assets, having conducted valuation in accordance with generally accepted business accounting practices.

- (6) Rights relating to derivative transactions (as referred to in Article 31, and 3.(3)(l) of Exhibit 1)

Net claims or debts arising from derivative transactions shall be valued at the market values.

Notwithstanding the above, hedge accounting shall apply to hedge transactions recognized as being conducted through generally accepted business accounting practices. Interest rate swap special treatment may apply in order to meet special treatment requirements for interest rate swaps specified by financial instruments accounting standards.

- (7) Other

If there is no stipulation, above, values should be allocated in accordance with the Investment Trust Act and the valuation regulations of the Investment Trusts Association of Japan or through generally accepted business accounting practices.

- 2. If valuation is conducted through a method that differs from the preceding section for the purpose of listing value in asset management reports, etc., the following shall apply.

- (1) Real estate, real estate leasehold rights, and surface rights of land

In principle, the valuation shall be conducted by appraisal, etc., by a real estate appraiser.

- (2) Trust beneficiary rights and Silent Partnership Equity Interest

If trust assets or assets that comprise silent partnerships are listed in (1), above, and if there are financial assets or liabilities valued in accordance with (1), above, the value of share of trust beneficiary rights or value of Silent Partnership Equity Interest shall be calculated by deducting the total amount of liabilities from the total amount of assets, having conducted valuation in accordance with generally accepted business accounting practices.

- 3. In principle, the record date of asset valuation shall be the End of Fiscal Period defined in Article 34 of the Articles of Incorporation. However, it shall be the last day of each month for assets specified in Article 31 and 3. (3)(l) and (m) that can be valued based on market price.

4. The valuation methods described in 1. and 2. do not alter the principle of consistency. However, if valuation by the method adopted becomes unsuitable for a legitimate reason, and if it is reasonably determined that there are no investor protection issues, valuation may be conducted using another method. If the valuation method is changed, the following matters shall be listed in the asset management report distributed to unitholders immediately thereafter.
  - (1) Content and date of change of valuation method
  - (2) Specific content of valuation method before and after the change
  - (3) End of fiscal period valuation from the valuation methods used before and after the change
  - (4) Specific means of change
  - (5) Other matters required for the protection of unitholders

## Standards for Payment of Asset Management Fees to Asset Manager

## 1. Payment of asset management fees shall be as follows.

## (1) Asset management fees 1

Asset management fees shall be based on a rate agreed upon separately by the Investment Corporation and the Asset Manager (pro rata calculation according to actual number of days in the business period with one year deemed to be 365 days; rounded down to the nearest whole yen) for each business period, up to a maximum annual rate of 0.35% of total asset value recorded in the balance sheet (limited to those that have received approval under Article 131 (2) of the Investment Trust Act) for the fiscal period prior to the first day of the relevant business period.

## (2) Asset management fees 2

Asset management fees shall be the total amount calculated according to the following formula.

Amount of asset management fees 2 for the relevant business period =  $\text{NOI}^{*1} \times \text{rate of asset management fees 2}^{*2}$

\*1 “NOI” refers to the total amount of real estate lease income of the Investment Corporation less real estate lease expenses (excluding depreciation and loss on retirement of non-current assets) for the relevant business period.

\*2 “Rate of Asset Management fees 2” shall be calculated by multiplying the basic rate (rate agreed upon separately by the Investment Corporation and the Asset Manager with an upper limit of 2.5%; hereinafter the same) by the rate of DPU change,<sup>\*3</sup> and shall be limited to no more than 5.0%.

\*3 “Rate of DPU change” refers to the figure calculated using the following formula.  

$$\text{Rate of DPU change} = (\text{adjusted distribution per unit}^{*4} \text{ for the business period} - \text{adjusted distribution per unit for the previous business period}) \div \text{adjusted distribution per unit for the previous business period} + 1$$
 However, if adjusted distribution per unit for a business period is 0, the rate of DPU change is deemed to be 1. Furthermore, if the DPU change for the previous business period is 0.75 or below, and DPU for the business period in question exceeds 1 when calculated using the above formula, the rate of DPU change is deemed to be 1.

\*4 “Adjusted distribution per unit” refers to Distributable Profits for the relevant business period prior to deductions such as fees<sup>\*5</sup> divided by the total number of investment units issued (rounded down to the nearest whole yen) for the relevant business period at the End of Fiscal Period.

\*5 “Distributable Profits prior to deductions such as fees” refers to net profit before tax (amount prior to addition or subtraction of asset management fees 2, profit or loss

from disposal of specified assets, and consumption tax not subject to deduction, etc.) for the relevant business period, calculated in accordance with generally accepted business accounting practices in Japan.

(3) Acquisition fees

If the Investment Corporation acquires specified assets, the amount shall be the acquisition cost (if purchased, the purchase price shall apply; if exchanged, the value of the asset exchanged shall apply; if acquired through capital investment, the amount of capital shall apply; excluding consumption taxes and acquisition expenses) multiplied by a rate agreed upon separately by the Investment Corporation and the Asset Manager, with an upper limit of 1% (0.5% if the Asset Manager acquired the assets from a related party).

(4) Disposition fees

If the Investment Corporation transfers specified assets, the amount shall be the transfer price (if sold, the sale price shall apply; if exchanged, the value of the asset exchanged shall apply; excluding Consumption Taxes and transfer expenses) multiplied by a rate agreed upon separately by the Investment Corporation and the Asset Manager, with an upper limit of 1% (0.5% if the Asset Manager transferred the assets to related party). Disposition fees shall only be paid upon transfer of specified assets if profit arises from the transfer before deduction of said Disposition fees.

(5) Merger fees

In the event of a consolidation-type merger or absorption-type merger between the Investment Corporation and another investment corporation (collectively referred to as “Merger”), if an Asset Manager conducts an investigation or valuation of assets held by said other investment corporation, or conducts any other activities in relation to the Merger, and said Merger takes effect, Merger fees shall be agreed upon separately between the Investment Corporation and the Asset Manager at a rate not exceeding 1% of the valuation of Real Estate Equivalents and Real Estate-back Securities held by the other investment corporation at the point said Merger takes effect.

(6) Adjustment clause

In the following instances, adjustments shall be made as follows when calculating asset management fees 2.

- (a) If the Investment Corporation repurchases investment units which are then held without being disposed of or cancelled at the End of Fiscal Period for the business period in which said repurchase was conducted, the total number of investment units issued shall be calculated excluding the investment units held by the Investment Corporation for the purpose of calculating adjusted distribution per unit.
- (b) If the number of issued investment units increases as a result of a split in the investment units of the Investment Corporation, the adjusted distribution per unit

for the relevant business period shall be calculated by multiplying the split ratio\* in order to calculate the rate of DPU after said split takes effect, for the business period in which said split takes effect.

\* “Split ratio” refers to the ratio of investment units issued immediately after to a split divided by the number of investment units issued immediately prior the split takes effect, if the number of investment units increases as a result of a split in the investment units issued by the Investment Corporation.

(c) If the number of issued units increases as a result of a rights offering\*<sup>1</sup>, the adjusted distribution per unit for the business period in which the offering is conducted shall be calculated by multiplying the ratio of free allotment\*<sup>2</sup> in order to calculate the rate of DPU change after said rights offering is conducted for the business period in which said rights offering is conducted.

\*1 “Rights offering” means issuing of new investment units through exercise of rights to subscribe for new investment units that are allotted to unitholders for free.

\*2 “Ratio of free allotment” means ratio calculated according to the following formula if a rights offering is conducted.

<Formula>

Ratio of free allotment =  $A \div B$

A: Number of investment units issued less investment units deemed to have been issued at market price,\*<sup>3</sup> immediately after the relevant rights offering

B: Total number of investment units issued immediately prior to the relevant rights offering

\*3 “Investment units deemed to have been issued at market price” means, where a rights offering has been conducted, the number of new investment units\*<sup>4</sup> multiplied by the ratio of price paid per unit at the time of exercise of the rights allotted for free to the market price per unit (or ratio stipulated by the Board of Directors) (rounded down to the nearest whole yen).

\*4 “Number of new investment units” means number by which the number of investment units has increased when a rights offering is conducted.

2. Fees stipulated in the preceding section shall be paid on the following dates.

(1) Asset management fees 1

Half of asset management fees 1 shall be paid within three months of the End of Fiscal Period immediately prior to the first day of the relevant business period (rounded down to the nearest whole yen), with the remainder to be paid by the End of Fiscal Period of the relevant business period.

(2) Asset management fees 2

Asset Management fees 2 shall be paid within three months of the End of Fiscal Period of the relevant business period.

(3) Acquisition fees

Acquisition fees shall be paid within two months of the date the relevant specified assets were acquired (date on which transfer of ownership rights takes effect)

(4) Disposition fees

Disposition fees shall be paid within two months of the date the relevant specified assets were transferred (date on which transfer of ownership rights takes effect)

(5) Merger fees

Merger fees shall be paid within two months of the date the merger takes effect

3. Consumption Taxes relating to asset management fees referred to in the preceding two sections shall be borne by the Investment Corporation. The Investment Corporation shall pay each type of asset management fees plus Consumption Taxes relating to said asset management fees by direct deposit or account transfer to a bank account designated by the Asset Manager.