

January 27, 2022

To all concerned parties:

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Notice Concerning Acquisition and Partial Disposition of Trust Beneficiary Right in Real Estate in Japan
(Acquisition: JMF-Residence Chihaya, Disposition: Valor Kachigawa (Land with leasehold interest))

Japan Metropolitan Fund Investment Corporation (“JMF”) announced that Mitsubishi Corp. – UBS Realty Inc., JMF’s asset manager (the “Asset Manager”), determined to acquire the trust beneficiary right in real estate and to dispose of part of quasi-co-ownership interest of the trust beneficiary right in real estate in Japan (hereinafter the property acquisition is referred to as the “acquisition,” the property partial disposition is referred to as the “disposition,” and the acquisition and the disposition are collectively referred to as the “replacement”) as outlined below.

1. Overview of the replacement

1) Overview of Acquisition

Property name ^(Note)	JMF-Residence Chihaya
Location	4-25 Chihaya 5-chome, Higashi-ku, Fukuoka-shi, Fukuoka
Asset class	Residence
Acquisition price (Scheduled)	3,280 million yen ① 1,640 million yen (50% quasi-co-ownership interest) (the quasi-co-ownership interest ①) ② 1,640 million yen (50% quasi-co-ownership interest) (the quasi-co-ownership interest ②)
Appraisal value	3,720 million yen (as of December 1, 2021)
Contract completion date	January 27, 2022
Acquisition date	① January 31, 2022 (Scheduled) ② March 31, 2022 (Scheduled)
Seller	XYMAX REIT Investment Corporation
Acquisition funds	Cash on hand (Planned)
Payment	Full payment at closing

(Note) Property name is JMF’s management name. The facility is currently referred to as “Renaissance 21 Chihaya”.

2) Overview of Disposition

Property name	Valor Kachigawa (Land with leasehold interest) (50% quasi-co-ownership interest) ^(Note 1)
Location	1-1 Onocho 2-chome, Kasugai-shi, Aichi
Asset class	Retail
Disposition price (Scheduled) (A)	3,245 million yen
Book value ^(Note 2) (B)	3,205 million yen
Difference between disposition price and book value (A-B)	39 million yen
Purchaser	XYMAX REIT Investment Corporation
Completion date of contract	January 27, 2022
Disposition date	January 31, 2022 (scheduled)

(Note 1) JMF will continue to hold the remaining 50% of quasi-co-ownership interest of the trust beneficiary right in real estate.

(Note 2) The book value is calculated by multiplying the expected value of the disposition property as a whole as of the month of disposition by the quasi-co-ownership interest percentage.

(Note 3) JMF intends to enter into a written agreement with the purchaser in respect of the transfer of the quasi co-ownership interest in the trust beneficiary interest in the property, and an agreement is intended to be entered into to the effect that if a quasi co-owner intends to sell its quasi co-ownership interest, it shall notify other quasi co-owners of such intention, and if any of such other quasi co-owners express their intention to purchase such quasi co-ownership interest, they may negotiate with the quasi co-owner intending to sell its quasi co-ownership prior to other parties for a certain period. Further, with respect to instructions, etc. to the trust beneficiaries, an agreement is intended to be entered into to the effect that decisions on certain important matters shall be made by an agreement by all of the quasi co-owners, and that JMF may make decisions on other matters at its sole discretion.

2. Reason for the replacement

Highlights

- **Acquisition of large-scale prime residential property with high yield above the existing portfolio average in a location with good access to Fukuoka's central business area**
- **Improvement of diversifying the portfolio**

As there have been constant changes to the operating environment surrounding real estate, such as widespread e-commerce and remote working due to the rapid advancement in information technologies, and the trend of mixed-use by area and by property, JMF aims to optimize its portfolio in response to such changes. To this end, JMF will continue to secure stable earnings on a medium to long term basis and ensure steady growth of operating assets by promoting carefully-screened investment in retail facilities, office buildings, residences, hotels, and mixed-use properties used for a combination of those purposes, located mainly in urban areas.

Based on the above policies, JMF has developed an asset replacement strategy that targets the disposition mainly of suburban retail property and low return urban retail property, aiming to diversify use, and will implement this replacement as a means to further promote this initiative.

We consider that, through this replacement, we are able to acquire a large-scale prime residential property located in the Chihaya and Kashii area, where there is good access to the central Fukuoka business area, with a yield in excess of the portfolio average under an overheated acquisition environment, and that this will also increase the portion of residential properties and decrease the portion of retail properties in our portfolio. For the above reasons, we have determined to implement this initiative which will contribute to improving the diversification and quality of our portfolio.

3. Property Summary (Acquisition)

[JMF-Residence Chihaya]

For acquisition of the property, JMF came to the decision based on evaluation of the following.

Location

- The property is located a five-minute walk from Kashii-Miyamae Station on the Nishi-Nippon Railroad and a six-minute walk from Nishitetsu-Chihaya Station and JR Chihaya Station, enabling it to be accessed from three stations on two train lines. It has easy access by train to the center of business and transportation in Fukuoka Prefecture, such as Hakata Station in about seven minutes, Tenjin Station in about 18 minutes.
- Its location is also highly convenient by road, being close to arterial highways (National Route 3 and Fukuoka Urban Expressway 1).
- The population of Higashi-ku in Fukuoka is expected to increase until 2040, and the area where the property is located, the Kashii subcenter (Chihaya) district, in particular, has a well-developed urban landscape and a high concentration of facilities that enhance the convenience of everyday life. Thus, housing demand in the area will be solid into the future, with strong demand from single adults, couples and families.

Profitability

- Due to acquisition by an arm's-length transaction, the property has profitability that exceeds the portfolio average 3.6%, with an NOI yield after depreciation of 4.1%.
- It is located in an area where there are mainly supplies of owner-occupied condominiums and the supply of new rental condominiums is limited, so occupancy rates and rents are stably maintained.

Building Spec

- The property is a 14-story large-scale rental condominium (143 units in total) with exclusive use and common use areas of owner-occupied condominium class grade. Layouts range from one bedroom to four bedroom apartments (approximately 35 m² to 115 m²), and it is expected to generate broad rental demand, mainly from families and couples.
- Convenience stores, dental clinics, beauty salons and other facilities are located in the commercial area on the first floor to enhance the convenience of everyday life for residents.

■ Property photo / Property Location Map

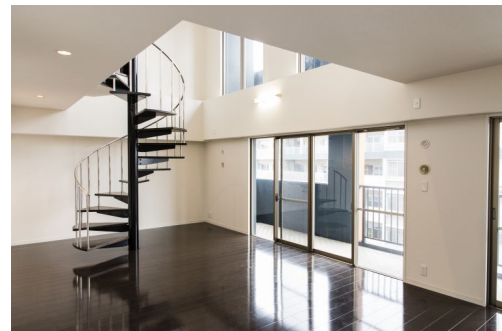
Appearance



Interior (Residential area entrances)

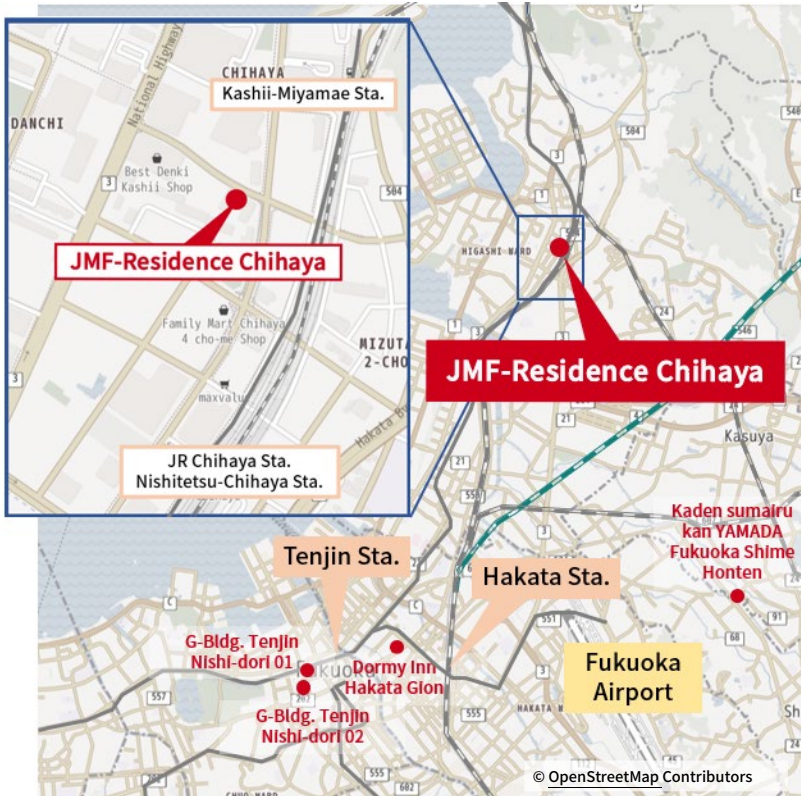


Interior (An example within a residence)



Location map (Image)

* For detail map, please refer to QR code.



<https://goo.gl/maps/1GUtHu4PWLtysLis5>

Property name	JMF-Residence Chihaya		
Location	4-25 Chihaya 5-chome, Higashi-ku, Fukuoka-shi, Fukuoka		
Type of asset	Trust beneficiary right in real estate		
Trustee	Mitsubishi UFJ Trust and Banking Corporation		
Trust period	January 8, 2016 – January 31, 2042 (Scheduled)		
Land			
Land area	2,644.63 m ²	Zoning	Commercial district
FAR / building-to-land ratio	400%/80%	Type of possession	Ownership
Building			
Structure / stories	14 stories above ground, SRC-structure with flat roof		
Total floor area	10,856.15 m ²	Type	Residence · Retail
Completion date	October 19, 2006	Type of possession	Ownership
Design	Tei Architectural Design Office		
Construction	Kyushu Branch of Nishimatsu Construction Co., Ltd.		
Constructional Inspector	JAPAN ERI CO., LTD.		
PML	Less than 0.1% (Based on the earthquake risk assessment (details) report prepared by Engineering and Risk Services Corporation and OYO RMS Corporation)		
Acquisition price	3,280 million yen		
Appraisal value	3,720 million yen (as of December 1, 2021)		
Appraiser	Japan Real Estate Institute		
Tenant summary (as of December 31, 2021)			
Number of tenants	147		
Annual rent	208 million yen		
Tenant leasehold / security deposit	23 million yen		
Total leased area	10,095.21 m ²	Occupancy rate (based on leased area)	98.1%
Total leasable area	10,290.99 m ²		
Collateral conditions	None		
Special notes	<p>· JMF intends to enter into a written agreement with the seller in respect of the acquisition of the quasi co-ownership interest ①, and an agreement is intended to be entered into to the effect that, each quasi co-owner may not dispose of the quasi co-ownership interest by methods such as transfer or creation of security, except for transfer of the quasi co-ownership interest ② from the seller to JMF. Further, with respect to instructions, etc. to the trust beneficiaries, an agreement is intended to be entered into to the effect that decisions on certain important matters shall be made by an agreement by all of the quasi co-owners, and that JMF may make decisions on other matters at its sole discretion. Additionally, an agreement is intended to be entered into to the effect that such written agreement shall be terminated automatically, in the event that all of the trust beneficiary interest in the property belongs to one person.</p> <p>· The seller has agreed to restore the multiple points identified in the engineering report and other documents regarding the property at the responsibility and cost of the seller.</p>		

(Note) JMF plans to acquire the quasi-co-ownership interest ① on January 31, 2022 and the quasi-co-ownership interest ② on March 31, 2022.

- Figures of less than one million yen are rounded down, and percentages are rounded to the nearest second decimal place.
- For the property, a pass-through master lease agreement is concluded.
- “Location” represents the address of the property or the registered address of the building.
- “Land area” and “Total floor area” are based on descriptions in registry books.
- “Zoning” represents the classification of land by its use, stipulated in Section 1-1, Article 8 of the City Planning Act.
- “Number of tenants” represents the total number of lease contracts or lease reservation contracts (including the lease agreements, etc. concluded between the master lease company and end tenants; the same applies hereinafter) as of the above.
- “Annual rent” is calculated by taking the total amount of monthly rents and common area fees indicated in the lease agreements or other documents in effect as of the above for the property to be acquired and multiplying this amount by 12, rounded down to the nearest million yen. Amounts expressly stated in lease agreements as rents for warehouses and land (flat parking lots) are excluded.
- “Tenant leasehold / security deposit”, “Total leased area”, “Total leasable area”, and “Occupancy rate (based on leased area)” represent the total sums in the lease contracts as of the above.

4. Property Summary (Disposition)

JMF has decided to dispose of 50% quasi-co-ownership of the trust beneficiary right, considering that Valor Kachigawa (Land with leasehold interest), which is the target of the disposition, is nearest to Kachigawa Station which is about 20 minutes by railway from Nagoya Station, therefore, it is consistent with the JMF's portfolio strategy to replace it by the residence with better access to inner-cities.

JMF will allocate the funds obtained from the disposition to fund the acquisition

The detail of the disposition of the property is as stated in Part 1, Fund Information, Item 1. Status of the Fund, 5 Status of investment management (2) Investments assets of the 39th Securities Report (submitted on November 25, 2021).

5. Overview of Seller and Purchaser

Name	XYMAX REIT Investment Corporation
Location	1-1 Akasaka 1-chome, Minato-ku, Tokyo
Name and job title of the representative	Shotaro Kanemitsu, Executive Director
Business	Management of assets primarily as investments in real estate, etc.
Capital	22,585 million yen (as of August 31, 2021)
Date established	September 14, 2017
Net assets	23,233 million yen (as of August 31, 2021)
Total assets	38,971 million yen (as of August 31, 2021)
Major shareholder (shareholding ratio)	Custody Bank of Japan, Ltd. (Trust account) 15.04%, etc. (as of August 31, 2021)
Relationship with JMF / the Asset Manager	
Capital relationship Personal relationship Trade relationship	There is no capital, personal or transactional ties to be stated between the seller/purchaser and JMF or the Asset Manager. There is no capital, personal or transactional ties to be specified between the related parties/related companies of JMF or the Asset Manager and the related parties/related companies of the seller/purchaser.
Related parties	Any of the seller/purchaser or the related parties/related companies of the seller/purchaser do not fall under the related party of JMF or the Asset Manager.

6. Matters Concerning Forward Commitment

Under the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators", the quasi-co-ownership interest ② of the acquisition is considered to be a "forward commitment, etc. (Note)" by an investment corporation. If JMF cannot meet its forward commitment, 20% of the expected purchase price shall be paid as a penalty for breach of contract.

(Note) Forward commitment, etc. is defined as "a postdated sales and purchase agreement which provides for the delivery and settlement to take place one month or more from the effective date of the agreement or any other related agreements."

7. Means of Payment

Full payment at the time of transfer

8. The replacement Schedule

1) Acquisition Schedule

Decision-making date	January 27, 2022
Contract signing date	January 27, 2022
Payment date	① January 31, 2022 (Scheduled)
Property transfer date	② March 31, 2022 (Scheduled)

2) Disposition Schedule

Decision-making date	January 27, 2022
Contract signing date	January 27, 2022
Payment date	January 31, 2022 (Scheduled)
Property transfer date	January 31, 2022 (Scheduled)

9. Future Outlook

There will be minor impact on our revenue forecast for the February 2022 fiscal period (from September 1, 2021 to February 28, 2022) and the August 2022 fiscal period (from March 1, 2022 to August 31, 2022), therefore we will not revise the forecast.

10. Appraisal Report Summary

1) Overview of property (Acquisition)

Property name	JMF-Residence Chihaya
Appraiser	Japan Real Estate Institute
Appraisal value	3,720 million yen
Appraisal date	December 1, 2021

Item	Value	Notes
Indicated value by income approach	3,720 million yen	
DC method	3,770 million yen	
Operating income	220 million yen	
Effective gross income	229 million yen	
Losses from vacancy, etc.	9 million yen	
Operational cost	48 million yen	
Maintenance and management fee	9 million yen	Assessed based on results for previous years and similar properties, ,taking into consideration the unique characteristics of the target property
Utility cost	3 million yen	Assessed taking into consideration similar properties and the unique characteristics of the target property
Repair expenses	9 million yen	With reference to the ER and similar properties, etc. Including restoring cost in the residences
Property manager fee	3 million yen	Assessed based on results for previous years and similar properties, ,taking into consideration the unique characteristics of the target property
Leasing cost	4 million yen	Assessed taking into consideration the average annual replacement rate for tenants, occupancy rates, and other factors
Property tax	17 million yen	Assessed based on materials relating to taxes and public charges for fiscal 2021, taking into consideration tax burden adjustments and other factors
Insurance premium	0 million yen	Assessed based on insurance rates taking into consideration insurance policies, insurance rates for buildings similar to the target building, and other factors
Other expenses	1 million yen	Internet expenses are reported
Net operating income	171 million yen	
Operating profit on lump-sum payments	0 million yen	
Capital expenditure	9 million yen	
Net cash flow	162 million yen	
Capitalization rate	4.3 %	
DCF method	3,660 million yen	
Discount rate	4.1 %	
Terminal capitalization rate	4.5 %	
Indicated value by cost approach	3,680 million yen	
Land ratio	60.1 %	
Building ratio	39.9 %	

Other matters of consideration	N/A
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2) Overview of property (Disposition)

Property name	Valor Kachigawa (Land with leasehold interest)
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal value	6,490 million yen
Appraisal date	August 31, 2021

Item	Value	Notes
Indicated value by income approach	6,490 million yen	
DCF method	6,480 million yen	
Discount rate	4.1 %	
Terminal capitalization rate	—	The terminal capitalization rate is not adopted because it is assumed that, based on the land lease agreement, the land will be returned as a vacant site after the expiry of the lease term.

Other matters of consideration	N/A
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(Note) The appraisal value is the appraisal value of 100% ownership ratio.

[Reference]

Prospective Income and Expenditures for the property (Acquisition)

Prospective Income and Expenditures	JMF-Residence Chihaya
NOI (Net Operating Income)	171 million yen
NOI yield	5.2 %
Depreciation	38 million yen
NOI yield after depreciation	4.1 %

- NOI refers to NOI used in the Direct Capitalization Method on the appraisal report.
- NOI yield is calculated by dividing NOI by the acquisition price and rounded to the nearest second decimal place.
- Depreciation is a rough estimate at present.
- NOI yield after depreciation is calculated by dividing NOI after deducting depreciation by the acquisition price and rounded to the nearest second decimal place.