

July 20, 2022

To all concerned parties:

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Notice Concerning Disposition of Trust Beneficiary Right in Real Estate in Japan
(AEON MALL Sapporo Naebo)

Japan Metropolitan Fund Investment Corporation (“JMF”) announces today that KJR Management, JMF’s asset manager (the “Asset Manager”), determined to dispose of the trust beneficiary right in real estate in Japan (the “Property”) as outlined below.

1. Overview of Disposition

Property name	AEON MALL Sapporo Naebo
Location	1-1, Higashinaebo 2jo 3-chome, Higashi-ku, Sapporo-shi, Hokkaido
Asset class	Retail
Disposition price (Scheduled)	9,300 million yen
Book value ^(Note 1)	5,998 million yen
Gains on disposition ^(Note 2)	Approx. 3.2 billion yen
Broker	None
Purchaser	Aeon Hokkaido Corporation
Completion date of contract	July 29, 2022 (scheduled)
Disposition date (Scheduled) ^(Note 3)	The quasi-co-ownership interest 20% : August 30, 2024 20% : February 28, 2025 20% : August 29, 2025 40% : February 27, 2026

(Note 1) Book value is the actual figures as of the end of February 2022 (the end of the 40th fiscal period).

(Note 2) Gains on disposition are reference figures as the difference calculated at this time by subtracting book value and disposition-related expenses from the scheduled disposition price, and may differ from the actual gains on disposition.

(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 right in the property on the date of the initial disposition. The agreement intended to be entered into will be to the effect that transfer to a third party is not permitted until JMF transfers all of its trust beneficiary right interest in the property to the purchaser. Further, with respect to instructions, etc. to the trust beneficiaries, the agreement will provide that decisions on certain important matters shall be made by agreement of all the quasi co-owners, and the Asset Manager, the implementer of instructions, etc. in the written agreement may make decisions on other matters at its sole discretion.

2. Reason for Disposition

Highlights

- 1. As part of JMF's growth strategy, steady execution of JMF's asset replacement strategy for urbanization and optimization of the use composition of its portfolio**
- 2. Stabilizing and improving distributions by ensuring gains on disposition over four fiscal periods from the August 2024 fiscal period onward**

In JMF's asset replacement strategy, suburban retail properties are within the scope of disposition. While comprehensively taking into account the anticipated intensification of the competitive environment in the neighborhood and the future profitability of the Property, JMF has been negotiating prior to the expiration of the fixed-term lease contract through the tenant relationships that have been cultivated. As a result, JMF has determined that securing the gains from the disposition in the current environment will contribute to improving unitholder value, while it plans to secure future earnings by achieving external growth through future replacements, etc. and internal growth of the portfolio through renewal and expansion, etc.

JMF will allocate the cash from the disposition mainly to acquire properties in JMF's asset replacement strategy. In addition, the gains on the disposition are expected to be approximately 3.2 billion yen. They will be allocated as a source of dividends to stabilize and improve the level of distributions while equalizing gains on disposition by spreading the timing of the disposition over four fiscal periods from the August 2024 fiscal period onward, and ensuring measures for managing temporary fluctuations in earnings due to tenant replacement, etc.

3. Property Summary

A summary of the Property to be disposed of is set out in Part 1, Fund Information, Item 1. Status of the Fund, 5 Status of investment management, (2) Investment assets, of JMF's securities report for the 40th fiscal period submitted on May 27, 2022.

4. Overview of Purchaser

Name	Aeon Hokkaido Corporation
Location	21 Minami-1-10 Hondori, Shiroishi-ku, Sapporo-shi, Hokkaido
Name and job title of the representative	Hideki Aoyagi, President
Business	General retail business
Capital	6.1 billion and 430 thousand yen
Date established	April 5, 1978
Net assets	64,076 million yen (as of the end of February 2022)
Total assets	152,094 million yen (as of the end of February 2022)
Major shareholder (shareholding ratio)	AEON Co., Ltd. (75.68%), The Master Trust Bank of Japan, Ltd. (Trust Account) (2.03%), North Pacific Bank, Ltd. (1.57%), KATO SANGYO CO., LTD. (1.27%), AEON Financial Service Co., Ltd. (0.91%), The Hokkaido Bank, Ltd. (0.79%), Employee Shareholding Association of Aeon Hokkaido Corporation (0.72%), MAXVALU NISHINIHON CO., LTD. (0.41%), JPLLC-CL JPY (standing proxy: Citibank, N.A., Tokyo Branch) (0.40%), The Hokuriku Bank, Ltd. (0.37%)

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 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 purchaser.
Related parties	Any of the purchaser or the related parties/related companies of the purchaser do not fall under the related party of JMF or the Asset Manager.

5. Means of Payment

Full payment at the time of transfer

6. Disposition Schedule

Decision-making date	July 20, 2022
Disposition contract signing date	July 29, 2022 (Scheduled)
Payment date (Scheduled)	The quasi-co-ownership interest 20% : August 30, 2024 20% : February 28, 2025
Property transfer date (Scheduled)	20% : August 29, 2025 40% : February 27, 2026

7. Future Outlook

The approximately 3.2 billion yen in gains from the disposition will be spread over four fiscal periods, but the first gain is scheduled to accrue in the August 2024 fiscal period (45th fiscal period: from March 1, 2024 to August 31, 2024), so there are no changes to the currently announced forecasts of operation for the August 2022 fiscal period (41st fiscal period: from March 1, 2022 to August 31, 2022) and February 2023 fiscal period (42nd fiscal period: from September 1, 2022 to February 28, 2023).

8. Appraisal Report Summary

Property name	AEON MALL Sapporo Naebo
Appraiser	Japan Real Estate Institute
Appraisal value	9,270 million yen
Appraisal date	June 1, 2022

Item	Value	Notes
Indicated value by income approach	9,270 million yen	
DC method	9,300 million yen	
Operating income	743 million yen	
Effective gross income	743 million yen	
Losses from vacancy, etc.	0 yen	
Operational cost	154 million yen	
Maintenance and management fee	0 million yen	
Utility cost	0 yen	
Repair expenses	7 million yen	
Property manager fee	Not disclosed	As the disclosure of this item may negatively affect JMF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and have included it under "Other expenses" instead.
Leasing cost	0 yen	
Property tax	103 million yen	
Insurance premium	Not disclosed	As the disclosure of this item may negatively affect JMF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and have included it under "Other expenses" instead.
Other expenses	42 million yen	
Net operating income	588 million yen	
Operating profit on lump-sum payments	6 million yen	
Capital expenditure	18 million yen	
Net cash flow	576 million yen	
Capitalization rate	6.2 %	
DCF method	9,240 million yen	
Discount rate	5.6 %	
Terminal capitalization rate	6.6 %	
Indicated value by cost approach	7,580 million yen	
Land ratio	50.8 %	Percentage calculated based on land prices including subleased land.
Building ratio	49.2 %	

Other matters of consideration	N/A
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[Reference]

The forecast of the operating results for August 2022 fiscal period (Announced on April 18, 2022), and the results for the previous period

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distributions per unit (yen) (excluding distributions in excess of profit)	Distributions in excess of profit per unit (yen)
The forecast of the operating results (the August 2022 fiscal period)	40,660	17,357	15,381	15,380	2,250	0
Operating results for the previous period (the February 2022 fiscal period)	40,598	18,808	16,924	16,924	2,284	0

This English language release is for informational purposes only, and the Japanese language release should be referred to as the original.