

December 14, 2022

To all concerned parties:

Investment Corporation

Japan Metropolitan Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 8953)

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Notice Concerning Acquisition of Trust Beneficiary Right in Real Estate in Japan
(JMF-Residence Tenjimbashisuji 6-chome)

Japan Metropolitan Fund Investment Corporation (“JMF”) announces today that KJR Management, JMF’s asset manager (the “Asset Manager”), determined to acquire of the trust beneficiary right in real estate in Japan (the “Property”) regarding preferential negotiation rights for “(Temporary Name) SÉRÉNITÉ Nagaranaka 1-chome Project” announced in the news release titled “Notice Concerning Acquisition of Trust Beneficiary Right in Real Estate in Japan, Real Estate in Japan and Preferential Negotiation Rights and Disposition of Trust Beneficiary Right in Real Estate in Japan and Real Estate in Japan (Acquisition: 5 properties, Preferential Negotiation Rights:1 right, Disposition:2 properties)” dated October 19, 2022 as outlined below.

1. Overview of Acquisition

Property name	JMF-Residence Tenjimbashisuji 6-chome ^(Note 1)
Location	24-2, Nagaranaka 1-chome, Kita-ku, Osaka-shi, Osaka
Asset class	Residence
Type of asset	Trust beneficiary right in real estate ^(Note 2)
Acquisition price (Scheduled)	1,527 million yen
Appraisal value	1,660 million yen ^(Note 3)
Contract completion date	December 14, 2022 ^(Note 4)
Acquisition date	May 31, 2024 (Scheduled) ^(Note 5)
Seller	ULTRA ESTATE. INC
Broker	None
Acquisition funds	Cash on hand, Debt (Planned)

(Note 1) With regard to “(Temporary Name) SÉRÉNITÉ Nagaranaka 1-chome Project”, JMF’s management name has become “JMF-Residence Tenjimbashisuji 6-chome”. The building is currently under construction, and the facility will be referred to as “SÉRÉNITÉ Tenroku Miracle” (read as “Miraku”).

(Note 2) Agreement has been reached with the seller that the JMF-Residence Tenjimbashisuji 6-chome will be established a trust with the property as trust assets by the time of the acquisition and JMF will acquire the trust beneficiary right of the trust.

(Note 3) Since the building is currently under construction, an appraisal agency conducted an “uncompleted building appraisal”, which was enacted on November 1, 2014, in accordance with the real property appraisal standards (revised on May 1, 2014) specified by the Ministry of Land, Infrastructure, Transport and Tourism, and the appraisal amount indicated in the appraisal report is the appraisal value.

(Note 4) As announced in the news release titled “Notice Concerning Acquisition of Trust Beneficiary Right in Real Estate in Japan, Real Estate in Japan and Preferential Negotiation Rights and Disposition of Trust Beneficiary Right in Real Estate in Japan and Real Estate in Japan (Acquisition: 5 properties, Preferential Negotiation Rights: 1 right, Disposition: 2 properties)” dated October 19, 2022, the payment for the acquisition of JMF-Residence Osaka Noda was conditional on concluding a purchase

agreement for the Property between JMF and the seller. The purchase agreement was concluded on December 14, 2022. JMF plans to acquire JMF-Residence Osaka Noda on December 23, 2022.

(Note 5) The currently-scheduled acquisition date is indicated, but since the building is currently under construction, the acquisition date is subject to change depending on the progress of the construction.

2. Reason for Acquisition

Highlights

Working with a group company of SUNADA CONSTRUCTION, INC which carries out development work mainly in the Kansai Region, acquired a new property in exit for development project, following the acquisition of JMF-Residence Osaka Noda, through bilateral transactions.

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.

JMF acquired the new property in exit for development project from a group company of SUNADA CONSTRUCTION, INC (the “Seller”), the developer of JMF-Residence Osaka Noda, the acquisition of which JMF announced on October 19, 2022. The acquisition of the Property was made based on a newly built relationship while the conditions in the real estate trading market remain harsh. Following the transaction, JMF expects growing opportunities for future acquisitions.

3. Property Summary

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

Location

- The Property is conveniently located within an approximately two-minute walk from Tenjimbashisuji 6-chome station on the Osaka Metro Tanimachi Line, the Sakaisuji Line, and the Hankyu Senri Line. Being located within two kilometers by road from the city center of Umeda, it meets the needs of those who prioritize residences located in close proximity to their workplace. Through services between the Osaka Metro and Hankyu Senri lines provide easy access to a wide variety of areas, including the Kyoto area.
- The Property is conveniently situated for daily living, as there are convenience stores and a discount supermarket nearby as well as a variety of stores along the Tenjimbashisuji Shopping Street, which is known as the longest shopping street in Japan. JMF thus expects high tenant engagement and occupancy rates.

Building Spec

- A new apartment building is scheduled to be completed in January 2024. Among a total of 60 units, 40 units will be 1LDK of approximately 30 m², which are in limited supply, and the remaining 20 units will be 1DK. The market demand for these types of units is high among single adults and the property meets their needs.

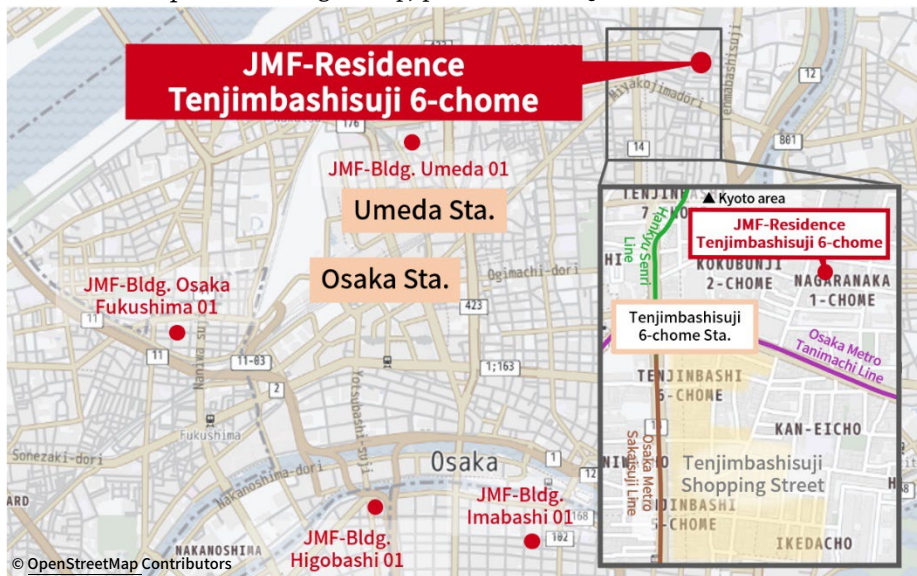
- The Property bears the name of SÉRÉNiTÉ, a brand operated by SUNADA CONSTRUCTION. INC mainly in the Kansai Region and known for high-grade designer apartments, which is expected to appeal to potential tenants.

Potential

- The population of Kita-ku, Osaka-shi is expected to continue to grow until around 2040. Residential demand is strong and thus stable rental demand can be expected for the Property.

■ Property Location Map

Wide-area Map *For enlarged map, please refer to QR code.



<https://goo.gl/maps/cW6D98cXtiRTqTLf7>

Japan Metropolitan Fund Investment Corporation

Property name	JMF-Residence Tenjimbashisuji 6-chome		
Location	24-2, Nagaranaka 1-chome, Kita-ku, Osaka-shi, Osaka		
Type of asset	Trust beneficiary right in real estate		
Trustee	Sumitomo Mitsui Trust Bank, Limited		
Trust period	May 31, 2024 – May 31, 2044 (Scheduled)		
Land			
Land area	515.21 m ²	Zoning	Category II residential zone · Commercial district
FAR / building-to-land ratio	300% · 400% / 80%	Type of possession	Ownership
Building			
Structure / stories	11 stories above ground, RC-structure (Scheduled)		
Total floor area	2,126.32 m ² (Scheduled)	Type	Residence
Completion date	January 2024 (Scheduled)	Type of possession	Ownership
Design	wa · sa · bi · sya		
Construction	SUNADA CONSTRUCTION. INC		
Constructional Inspector	The Osaka Building Disaster Prevention Center		
PML	-		
Acquisition price	1,527 million yen		
Appraisal value	1,660 million yen (as of December 1, 2022)		
Appraiser	Japan Real Estate Institute		
Tenant summary			
Number of tenants	-		
Annual rent	-		
Tenant leasehold / security deposit	-		
Total leased area	-	Occupancy rate	-
Total leasable area	1,625.80 m ² (Scheduled)	(based on leased area)	-
Collateral conditions	None		
Special notes	<ul style="list-style-type: none"> • The subject land is within the perimeter of the Kokubun-ji temple site which is a designated buried cultural property site under the Act on the Protection of Cultural Properties. For that reason, any engineering work on the land requires at least 60 days' notice prior to the start of such work and an excavation survey may also be necessary. As the Osaka City Board of Education has determined with respect to the engineering work related to the construction of the building that the seismic intensity of the excavation will not reach the inclusive layer or the surface of the remains of the cultural property, exploratory drilling will not be conducted. • As a result of a soil survey carried out in 2022, soil contamination by arsenic and its compounds in part of the subject land has been confirmed. JMF has agreed with the seller with regard to this contamination that the contaminated soil will be removed or otherwise properly dealt with and disposed of at the seller's responsibility and expense by the time of JMF's acquisition of the property to be acquired. 		

- 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" is 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.
- "Structure / stories", "Total floor area" and "Type" are based on confirmed certificate notations.
- With regard to "PML", since the construction is not yet completed, JMF plans to obtain an analysis report for earthquake risks by the time of acquisition.
- "Number of tenants", "Annual rent", "Tenant leasehold / security deposit", "Total leased area" and "Occupancy rate (based on leased area)" have been left blank (indicated with a dash), as the asset to be acquired is currently under construction.
- "Total leasable area" is based on design documents, etc.

4. Overview of Seller

Name	ULTRA ESTATE. INC
Location	1202, 10-19, Tanimachi 6-chome, Chuo-ku, Osaka-shi, Osaka
Name and job title of the representative	Naoshige Sunada, Representative
Business	Real estate management business, real estate leasing, real estate trading business, real estate brokerage, real estate consulting, planning, research, and design related to real estate, sale of goods through vending machines, sale of goods via the Internet, any and all businesses incidental to the above
Capital	10 million yen
Date established	March 15, 2010
Net assets	Not disclosed as the seller has not agreed to the disclosure.
Total assets	
Major shareholder (shareholding ratio)	Naoshige Sunada (100%)
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 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.
Related parties	Any of the seller or the related parties/related companies of the seller do not fall under the related party of JMF or the Asset Manager.

5. Matters Concerning Forward Commitment

Under the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators”, the acquisition of the Property 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.”

The property is currently under construction and is scheduled to be completed in January 2024, and as a result, JMF is exposed to construction completion risks, property transfer risks, and other risks until the building is completed. JMF plans to mitigate these construction completion and property transfer risks by setting the following main points as conditions to payment of the purchase price.

- Construction of the building in accordance with the design drawings specified in the purchase agreement, acquisition of certification of passed inspection, and acquisition of all permits and approvals required by laws and regulations;
- Prior written consent of the buyer for any change to the specifications, quantities, and the like of the building;
- Discussion on a review of sales and other terms (including reduction of the purchase price and postponement of the execution date) if it becomes reasonably clear that the completion date is to be extended by 30 days or more due to a delay in construction work, with the right to terminate the contract in case of a failure to reach agreement (However, if such termination is due to a delay in completion caused by an underground obstruction, and the seller provides the buyer with the basis for such termination based on objective data, and the buyer reasonably accepts such basis as reasonable, then a penalty for breach contract is not permitted.); and
- Confirmation of compliance by the building with the Architectural Standards Act and other

construction-related laws and regulations and verification of the absence of any problems upon the conclusion of the designated due diligence.

6. Means of Payment

Full payment at the time of transfer

7. Acquisition Schedule

Decision-making date	December 14, 2022
Contract completion date	
Payment date (Scheduled)	May 31, 2024
Property transfer date (Scheduled)	

8. Future Outlook

As the acquisition of the Property is scheduled in May 2024, there are no impact on the fiscal period ending February 2023 (42nd fiscal period: September 1, 2022 to February 28, 2023) and August 2023 fiscal period (43rd fiscal period: March 1, 2023 to August 31, 2023).

9. Appraisal Report Summary

Property name	JMF-Residence Tenjimbashisuji 6-chome
Appraiser	Japan Real Estate Institute
Appraisal value	1,660 million yen
Appraisal date	December 1, 2022

Item	Value	Notes
Indicated value by income approach	1,660 million yen	
DC method	1,680 million yen	
Operating income	75 million yen	
Effective gross income	78 million yen	
Losses from vacancy, etc.	3 million yen	
Operational cost	13 million yen	
Maintenance and management fee	2 million yen	Assessed based on similar properties, taking into consideration the unique characteristics of the target property
Utility cost	0 million yen	Assessed taking into consideration the unique characteristics of the target property and other factors
Repair expenses	0 million yen	Assessed based on similar properties and other factors Including restoring cost in the residences
Property manager fee	1 million yen	Assessed based on similar properties, taking into consideration the unique characteristics of the target property and other factors
Leasing cost	2 million yen	Assessed based on similar properties and other factors
Property tax	5 million yen	The land is appraised based on the special exception for small houses, and the building is appraised based on the replacement cost.
Insurance premium	0 million yen	Assessed based on similar properties and other factors
Other expenses	0 million yen	Internet usage fees, etc.
Net operating income	61 million yen	
Operating profit on lump-sum payments	0 million yen	
Capital expenditure	0 million yen	
Net cash flow	60 million yen	
Capitalization rate	3.6 %	
DCF method	1,640 million yen	
Discount rate	3.4 %	
Terminal capitalization rate	3.7 %	
Indicated value by cost approach	1,660 million yen	
Land ratio	65.7 %	
Building ratio	34.4 %	

Other matters of consideration	N/A
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The building is under construction and is scheduled to be completed in January 2024, and accordingly, an appraisal agency conducted an “uncompleted building appraisal”, which was enacted on November 1, 2014, in accordance with the real property appraisal standards (revised on May 1, 2014) specified by the Ministry of Land, Infrastructure, Transport and Tourism, and the appraisal amount indicated in the appraisal report is the appraisal value.

[Reference]

The forecast of the operating results for February 2023 fiscal period (Announced on October 19, 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 February 2023 fiscal period)	40,916	17,662	15,726	15,725	2,280	0
Operating results for the previous period (the August 2022 fiscal period)	41,112	17,694	15,723	15,722	2,263	0

[Reference]

Prospective Income and Expenditures for the Property

NOI (Net Operating Income)	61 million yen
NOI yield	4.0 %
Depreciation	15 million yen
NOI yield after depreciation	3.0 %

- 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.