

March 15, 2023

To all concerned parties:

Investment Corporation

Japan Metropolitan Fund Investment Corporation

(Tokyo Stock Exchange Company Code: 8953)

Representative: Masahiko Nishida, Executive Director

URL: <https://www.jmf-reit.com/english/>

Asset Management Company

KJR Management

Representative: Naoki Suzuki,
President & Representative Director

Inquiries: Keita Araki, Executive Officer &
Head of Metropolitan Division

TEL: +81-3-5293-7081

Notice Concerning Participation in Urban Redevelopment Project as a Participating Partner
(Directly connected to Sapporo Station
“North 5 West 1 and West 2 District Type 1 Urban Redevelopment Project”)

Japan Metropolitan Fund Investment Corporation (“JMF”) announces that JMF participates in directly connected to Sapporo Station in Hokkaido “North 5 West 1 and West 2 District Type 1 Urban Redevelopment Project” (“the Project”) as a participating partner.

1. Reason for Participation in the Project

The Project is a large-scale development project utilizing land in front of Sapporo Station with an area of over two hectares. The land is a combination of the site following the demolition of Esta, a commercial facility owned by Hokkaido Railway Company, Sapporo Station General Development Co., Ltd., JR Hokkaido Bus Co., Ltd., and JR Hokkaido Hotels Co., Ltd. (collectively referred to as “JR Hokkaido Group”) and a site owned by the city of Sapporo. With “creating the new face of Sapporo that connects to the world” as its basic concept, the Project aims to promote urban development with a hub for interaction at Sapporo Station. The development policies are to: (1) create a variety of public spaces that promote interaction, (2) enhance the functions of transportation nodes, (3) develop tourism and business hub functions in Sapporo, and (4) develop a base that contributes to the decarbonization and resilience of the city.

For the Project, the Sapporo Station Exchange Center North 5 West 1 and West 2 District Urban Redevelopment Association (the “Association”) will be established, and seven companies including JMF are slated to join the Association as participating partners, along with the landowners, JR Hokkaido Group and Sapporo City. In conjunction with becoming a participating partner of the Project, JMF will pay a total of approximately 9.6 billion yen (estimated) ^(Note) in contributions from the start of development to the completion of construction and will acquire the land and a portion of the office floors (exclusive area of approximately 7,000 m² (planned)) after construction is completed.

(Note) The appraisal value of the land and the portion of the office floors after completion of the construction which JMF will acquire is 10.9 billion yen (as of February 1, 2023). Please refer to the Survey Report Summary below for details.

Significance of JMF’s Participation

The real estate operating environment has been continuously changing, and the use of real estate on an area and property basis is becoming more complex. Under these circumstances, in 2021, JMF converted to a diversified REIT, becoming one of the largest in Japan, and has been diversifying its investment methods while advancing mixed-use of its portfolio.

By joining the Project as a participating partner, a new investment method for JMF, we can invest in a large S-class complex as an investment target. This is in line with JMF’s philosophy of “investing in real estate properties serving as a foundation of urban lives.”

We also believe that the assets obtained through participation will be consistent with our investment policy: managing assets through investments aimed at securing stable, long-term income and steady growth of assets under management.

Although Project development will require considerable time, we believe that we can minimize risks to the overall portfolio during the development period and secure stable income from the office floors to be delivered upon completion. This is because the Project is in a prime location where the public and private sectors, including the local government and JR Hokkaido Group, work together, and because we can appropriately manage cash based on our past managing experience and overall asset scale.

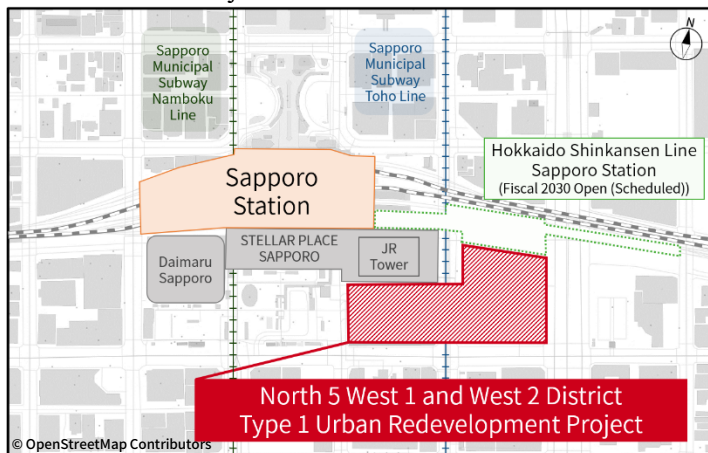
In addition, we have determined that participation will help further enhance unitholder value in the future, as we can expect to acquire development know-how by building relationships with the government and other entities and expand the possibilities of new investment methods, such as PRE and CRE.

Acquisition of a rare investment opportunity in a large S-class complex directly connected to Sapporo Station

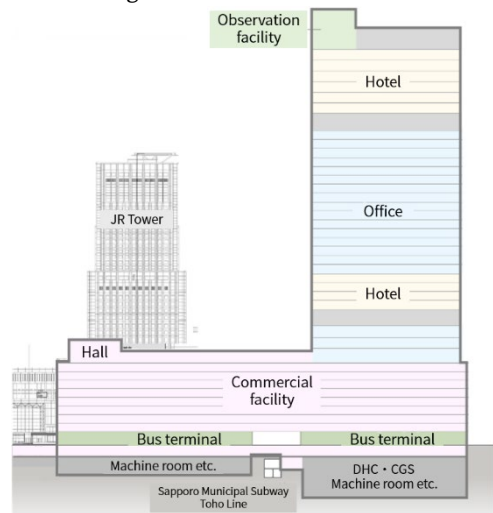
The Project will develop a mixed-use complex facility (43 floors above ground and 4 below ground; the “Facility”) on a scale that is prominent in Sapporo City. It will be directly connected to Sapporo Station on JR Line and the Sapporo Municipal Subway Namboku and Toho Lines through underground passageways. The Project is scheduled for completion in fiscal 2028.

Plans for the Facility include a bus terminal on the first floor as well as commercial facilities, offices and hotels. There will also be direct access to the ticket gates of the Hokkaido Shinkansen Line when it opens in fiscal 2030, making it a landmark that not only holds the potential of the Facility itself, but also serves as a transportation node.

<The area of the Project>

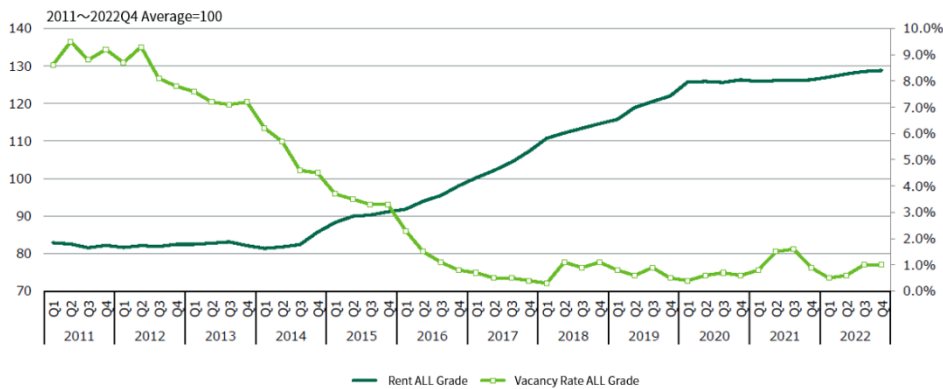


<The image of the floor>



While office vacancy rates in major cities across Japan have been hovering around the 2% to 5% level, the office market in Sapporo alone remained brisk, with vacancy rates averaging 2.8% over the past 10 years and generally below 1% since 2016. As the Project is located in a particularly prime location in this rare Sapporo market, we expect to acquire the property at an NOI yield in the low to mid 4% range by participating in the Project from the development stage, while some office buildings located nearby are traded at NOI yields in the low 3% range.

<Rent and vacancy rate in Sapporo>



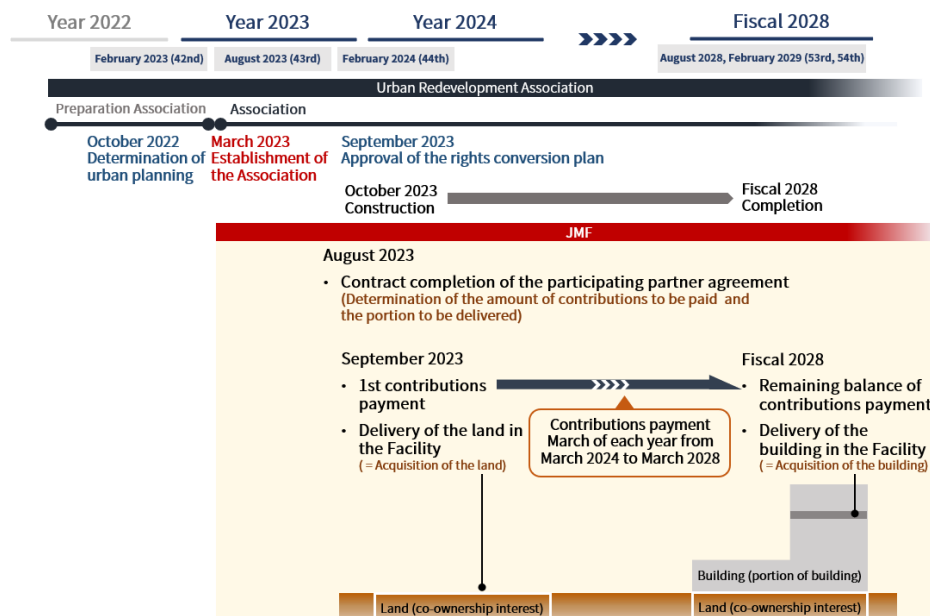
(Source: CBRE K.K.)

Structure of participation in the Association for the Project

By participating in the Association as a participating partner, JMF will make contributions associated with the development and in exchange will acquire a co-ownership interest in the land and a portion of the building of the development assets.

JMF will pay the first contribution after approval of the rights conversion plan and thereafter in March of each year from March 2024 to March 2028 in proportion to the construction work completed, and the remaining balance of contributions at the time of completion of construction. The total investment in the Project is expected to be approximately 9.6 billion yen, which accounts for only about 0.8% of the portfolio, thus not excessively impacting the portfolio as a whole. We will appropriately manage cash flow during the development period by utilizing cash on hand, surplus funds, and other resources.

We will announce the details of contributions and rights conversion upon conclusion of the participating partner agreement.



Japan Metropolitan Fund Investment Corporation

(Note 1) Although we will participate in the Association as a participating partner from its establishment in March 2023, the assets to be delivered and the amount of contributions to be paid are only rough estimates at this time. We will make decisions regarding these rights and obligations (acquisition of development assets) upon conclusion of the participating partner agreement, when the details are finalized and specific rights and obligations arise.

(Note 2) Although the Facility site will be handed over to JMF (land acquisition) in September 2023 for the Project, no revenue will be generated until fiscal 2028, when the building is completed.

(Reference) The Overview of the Plan in the Project

Project name	North 5 West 1 and West 2 District Type 1 Urban Redevelopment Project
Construction area	A part of Kita 5jo Nishi 1-chome, 2-chome, 3-chome, Chuo-ku, Sapporo-shi, Hokkaido (North 5 West 1 and West 2 District)
Project entity	Sapporo Station Exchange Center North 5 West 1 and West 2 District Urban Redevelopment Association
Partners	<p>(Landowners)</p> <ul style="list-style-type: none"> • Hokkaido Railway Company • Sapporo Station General Development Co., Ltd. • JR Hokkaido Bus Co., Ltd. • JR Hokkaido Hotels Co., Ltd. • Sapporo City <p>(Participating partners)</p> <ul style="list-style-type: none"> • Sapporo Station Front TMK • Asahi Mutual Life Insurance Company • The Asahi Shimbun Company • Toho Co., LTD. • Fuyo General Lease Co., Ltd. • Medical System Network Co., Ltd. • JMF
Land	
Land area	Approx. 23,060 m ² (Scheduled)
building-to-land ratio / FAR	80% / 1,500% (Scheduled)
Zoning	Commercial district
Building	
Structure / stories	43 stories above ground and 4 basement floor, S-structure and SRC-structure (Scheduled)
Total floor area	Approx. 386,700 m ² (Scheduled)
Main asset class	Office, retail, hotel, observation facility (Scheduled)
Construction date	October 2023 (Scheduled)
Completion date	Fiscal 2028 (Scheduled)
Design	Design JV: NIHON SEKKEI, INC. and SHIMIZU CORPORATION
Construction	JV: SHIMIZU CORPORATION, Itogumi Construction Co., Ltd., IWATA CHIZAKI Inc., Sakkenkogyo, Taisin Kensetsu

(Note) The above information is based on the publicly announced materials jointly signed by the partners in the Project. For details, please refer to “Notice of Establishment of Urban Redevelopment Association for North 5 West 1 and Nishi 2 District Type 1 Urban Redevelopment Project” dated today (Japanese text only).

2. Acquisition Schedule

Decision-making date in participation in the Project as a participating partner	March 15, 2023
Date established of the Association (Scheduled)	March 17, 2023
Contract completion date of the participating partner agreement (Scheduled)	August 2023
Approval of the rights conversion ^(Note 2) plan (Scheduled)	September 2023
Payment date (Scheduled)	1st: September 2023 2nd and thereafter: March of each year from March 2024 to March 2028 and the property transfer date of the building portion upon completion of construction
Property transfer date (Scheduled)	A co-ownership interest in the land (land portion): September 2023 A portion of the building (building portion): Fiscal 2028

(Note 1) The schedule for the Project is based on the current plan and may change depending on the progress of the Project.

(Note 2) Rights conversion refers to the replacement of rights relating to land or building prior to project execution with the land or building value after project execution at an equivalent value.

3. Future Outlook

As the 1st payment date in the Project is scheduled in September 2023, 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). The impact of the Project during the development period on operating results will be reflected in the operating results forecast to be released at the time of each financial results announcement after the first payment of contributions.

(Reference)

■ Perspective Drawing



■ Survey Report Summary

Appraiser	CBRE K.K.
Appraisal value	10,900 million yen
Appraisal date	February 1, 2023

Item	Value	Notes
Indicated value by income approach	10,900 million yen	
DC method	11,300 million yen	
Operating income	626 million yen	
Effective gross income	652 million yen	
Losses from vacancy, etc.	26 million yen	
Operational cost	205 million yen	
Maintenance and management fee	105 million yen	
Utility cost	0 yen	
Repair expenses	8 million yen	
Property manager fee	15 million yen	
Leasing cost	5 million yen	
Property tax	65 million yen	
Insurance premium	6 million yen	
Other expenses	0 yen	
Net operating income	420 million yen	
Operating profit on lump-sum payments	5 million yen	
Capital expenditure	18 million yen	
Net cash flow	406 million yen	
Capitalization rate	3.6 %	
DCF method	10,900 million yen	
Discount rate	3.4 %	
Terminal capitalization rate	3.7 %	
Indicated value by cost approach	14,900 million yen	
Land ratio	57.0 %	
Building ratio	43.0 %	

Other matters of consideration	N/A
--------------------------------	-----