

March 23, 2023

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-Bldg. Nakano 01)

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

1. Overview of Acquisition

Property name	JMF-Bldg. Nakano 01 ^(Note 1)
Location	19-2, Nakano 2-chome, Nakano-ku, Tokyo
Asset class	Mixed-use (Office, Retail)
Type of asset	Trust beneficiary right in real estate
Acquisition price (Scheduled)	4,000 million yen
Appraisal value	4,200 million yen
Contract completion date	March 24, 2023 (Scheduled)
Acquisition date	March 24, 2023 (Scheduled)
Seller	Cosmos Initia Co., Ltd.
Broker	None
Acquisition funds	Cash on hand (Planned)

(Note 1) Property name is JMF’s management name. The facility is currently referred to as “REID-C Nakano-bldg.”.

2. Reason for Acquisition

Highlights

Acquired a mixed-use property that secures an NOI yield after depreciation of 4.0% through a bilateral transaction in the Nakano area where further improvement of area potential is expected in the future.

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 will acquire a mixed-use property with multiple uses for offices and commercial facilities through a bilateral transaction in the Nakano area where multiple large-scale redevelopment projects are in progress. The Property secures an NOI yield after depreciation of 4.0% and expects stable profitability in the future as well as opportunities for future acquisitions based on a newly built relationship with the seller, which will result in promoting asset replacement and improving the quality of portfolios.

3. Property Summary

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

Location

- The Property is an approximately six-minute walk from Nakano Station on the JR Chuo and Sobu Lines and the Tokyo Metro Tozai Line, and Nakano Station has a direct line to Shinjuku Station in five minutes and Tokyo Station in 20 minutes, making it highly convenient for transportation.
- The multiple large-scale redevelopment projects including construction of offices, commercial facilities, residences, and arenas are in progress mainly in front of Nakano Station. It is expected that an increase in the resident and working population will further improve the area potential greatly.

Building Spec

- The property consists of retail space on the first and basement floors and office space on the second through fourth floors. The first floor of the retail section is occupied by a pharmacy, which also serves as a dispensing pharmacy for the nearby general hospital and meets the needs of local residents. The office section has a regular shape with a standard floor area of approximately 219 tsubo and is provided with individual air conditioning. Tenants include media companies, financial institutions, shared offices and other tenants and the Property meets the needs of a wide range of tenants as a mixed-use property.
- Large-scale repair work such as exterior wall repair and waterproofing for rooftops were completed in September 2022.

Potential

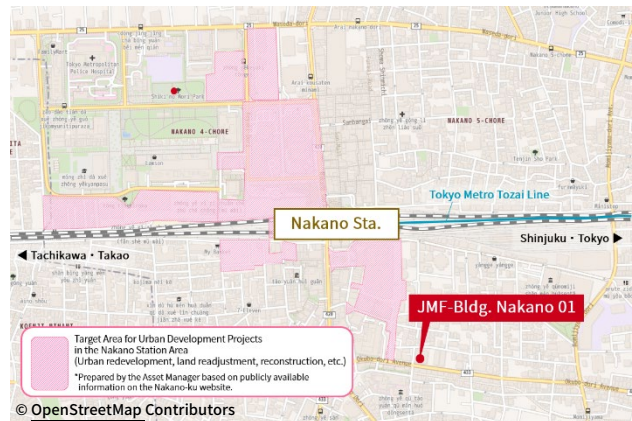
- Vacancy rates in the Nakano area have remained low compared to the entire 23 wards of Tokyo, and the Property's current occupancy rate is 100%.
- Long- and fixed-term lease contracts account for approximately a half of the lease contracts with tenants and a stable occupancy rate is predicted for the Property, which enables an NOI yield after depreciation of 4.0% to be secured.

■ Property Photo / Property Location Map



Wide-area Map

*For enlarged map, please refer to QR code.



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<https://goo.gl/maps/G3A3AHpd6F5QxtZB8>

Japan Metropolitan Fund Investment Corporation

Property name	JMF-Bldg. Nakano 01		
Location	19-2, Nakano 2-chome, Nakano-ku, Tokyo		
Type of asset	Trust beneficiary right in real estate		
Trustee	Sumitomo Mitsui Trust Bank, Limited		
Trust period	October 31, 2018 – March 31, 2043		
Land			
Land area	1,207.38 m ²	Zoning	Neighborhood commercial district, Category I mid/high-rise oriented residential zone
FAR / building-to-land ratio	400%・200% / 80%・60%	Type of possession	Ownership
Building			
Structure / stories	4 stories above ground and 2 basement floors, RC-structure with flat roof		
Total floor area	3,741.80 m ²	Type	Office, Studio, Retail
Completion date	September 6, 1991 July 31, 2018	Type of possession	Ownership
Design	Aoki Construction Co., Ltd.		
Construction			
Constructional Inspector	Nakano-ku Construction Director		
PML	8.2% (Based on the earthquake risk assessment (details) report prepared by Engineering and Risk Services Corporation and OYO RMS Corporation)		
Acquisition price	4,000 million yen		
Appraisal value	4,200 million yen (as of March 1, 2023)		
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.		
Tenant summary (as of February 28, 2023)			
Number of tenants	6		
Annual rent	172 million yen		
Tenant leasehold / security deposit	119 million yen		
Total leased area	3,004.69 m ²	Occupancy rate (based on leased area)	100.0%
Total leasable area	3,004.69 m ²		
Collateral conditions	None		
Special notes	None		

- ・ Figures of less than one million yen are rounded down, and percentages are rounded to the nearest second decimal place.
- ・ “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 (including the lease agreements, etc. concluded between the master lease company and end tenants; the same applies hereinafter) as of the above. The number of tenants listed is the total number of tenants in the office zone and the retail zone.
- ・ “Annual rent” is calculated by taking the total amount of monthly rents and common area fees indicated in the lease agreements and other documents in effect as of the above for properties 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” and “Total leasable area” represent the total sums and areas in the lease contracts, etc. as of the above.

4. Overview of Seller

Name	Cosmos Initia Co., Ltd.
Location	34-6, Shiba 5-chome, Minato-ku, Tokyo
Name and job title of the representative	Yoshiyuki Takagi, Chairman Ryotaro Takachi, President
Business	Real estate sales, Real estate rental, Real estate brokerage
Capital	5,000 million yen (as of March 31, 2022)
Date established	June 20, 1969
Net assets	33,369 million yen (as of March 31, 2022)
Total assets	137,639 million yen (as of March 31, 2022)
Major shareholder (shareholding ratio)	Daiwa House Industry Co., Ltd. (64.2%) (as of March 31, 2022)
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

None

6. Means of Payment

Full payment at the time of transfer

7. Acquisition Schedule

Decision-making date	March 23, 2023
Contract completion date	March 24, 2023 (Scheduled)
Payment date	
Property transfer date	

8. Future Outlook

There is no impact of the acquisition on the fiscal period ending February 2023 (42nd fiscal period: September 1, 2022 to February 28, 2023), and the impact on August 2023 fiscal period (43rd fiscal period: March 1, 2023 to August 31, 2023) is minor, but the forecasts for Operating Results is currently under scrutiny. So, it will be announced in the financial report scheduled for release on April 19, 2023.

9. Appraisal Report Summary

Property name	JMF-Bldg. Nakano 01
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.
Appraisal value	4,200 million yen
Appraisal date	March 1, 2023

Item	Value	Notes
Indicated value by income approach	4,200 million yen	
DC method	4,540 million yen	
Operating income	231 million yen	
Effective gross income	241 million yen	
Losses from vacancy, etc.	9 million yen	
Operational cost	58 million yen	
Maintenance and management fee	6 million yen	Assessed based on results for previous years, taking into consideration the unique characteristics of the target property
Utility cost	22 million yen	Assessed taking into consideration results for previous years and other factors
Repair expenses	4 million yen	With reference to the ER and similar properties and other factors
Property manager fee	3 million yen	With reference to the contracts
Leasing cost	1 million yen	With reference to the contracts
Property tax	16 million yen	Assessed based on materials relating to taxes and public charges and tax burden adjustments and other factors
Insurance premium	0 million yen	With reference to the contracts
Other expenses	4 million yen	Assessed taking into consideration results for previous years and other factors
Net operating income	172 million yen	
Operating profit on lump-sum payments	1 million yen	
Capital expenditure	10 million yen	With reference to the ER and similar properties and other factors
Net cash flow	163 million yen	
Capitalization rate	3.6 %	
DCF method	4,050 million yen	
Discount rate	3.7 %	
Terminal capitalization rate	3.8 %	
Indicated value by cost approach	3,960 million yen	
Land ratio	91.2 %	
Building ratio	8.8 %	

Other matters of consideration	N/A
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[Reference]

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

[Reference]

Prospective Income and Expenditures for the Property

NOI (Net Operating Income)	172 million yen
NOI yield	4.3 %
Depreciation	11 million yen
NOI yield after depreciation	4.0 %

- 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.