

April 5, 2023

To all concerned parties:

Investment Corporation

**Japan Metropolitan Fund Investment Corporation**

(Tokyo Stock Exchange Company Code: 8953)

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Asset Management Company

**KJR Management**

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Notice Concerning Acquisition of Trust Beneficiary Right in Real Estate in Japan  
(JMF-Residence Asakusabashi 3-chome)

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-Residence Asakusabashi 3-chome
Location	Asakusabashi, Taito-ku, Tokyo
Asset class	Residence
Type of asset	Trust beneficiary right in real estate
Acquisition price (Scheduled)	4,320 million yen
Appraisal value	4,530 million yen <sup>(Note 1)</sup>
Contract completion date (Scheduled)	April 6, 2023
Acquisition date (Scheduled)	April 30, 2024 <sup>(Note 2)</sup>
Seller	Not disclosed <sup>(Note 3)</sup>
Broker	None
Acquisition funds	Cash on hand, Debt (Planned)

(Note 1) 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 (this applies hereinafter).

(Note 2) The Property has not yet been completed and JMF will acquire after construction is completed.

(Note 3) Not disclosed as the seller has not agreed to the disclosure. There are no capital, personal or business relationships to note between JMF/the Asset Manager and the seller.

2. Reason for Acquisition

**Highlights**

**Asset replacement strategy proceeding with acquisition of new excellent rental residential property located in central Tokyo, which is convenient for transportation and everyday life.**

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.

The property is a newly built excellent rental residence located in Asakusabashi in central Tokyo, which is convenient for transportation and everyday life. While the conditions in the real estate trading market remain harsh, the acquisition of the property will contribute to the progress of asset replacement and an improvement in the portfolio quality.

3. Property Summary

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

Location

- The property is accessible from three stations on four lines; an approximately six-minute walk from Asakusabashi Station on the JR Sobu Line and the Toei Subway Asakusa Line, an approximately nine-minute walk from Kuramae Station on the Toei Subway Asakusa Line and the Toei Subway Oedo Line, and an approximately 11-minute walk from Shin-Okachimachi Station on the Toei Subway Oedo Line and on the Tsukuba Express. Its approximately 10-minute accessibility to Tokyo Station, which is a business area, and direct access to Shinjuku Station meet the needs of people who value the proximity of their residences to the workplaces.
- While the surrounding area is filled with facilities that provide convenience in everyday life such as supermarkets, convenience stores, general hospitals, clinics, and childcare facilities, Sumidagawa Terrace (promenade) and parks are also in the neighborhood. The living conditions are good with urban functionality and green areas coexisting.

Building Spec

- New 13-story apartment building to be completed in April 2024. Its land is a lot with three frontages on three roads, and all its 72 units are facing south and has a lot of sunshine. Additionally, as its units are 1K, 1DK, 1LDK and mainly 2LDK and the building has a parking lot and a bicycle parking lot, the property meets the wide needs of not only singles but also DINKs and families.
- The first floor designated for shops is to be tenanted by a supermarket, which enhances convenience in daily life to residents (an option contract for a fixed long-term lease has already been concluded).

Profitability and Potential

- For the property, the target NOI yield after depreciation in the asset replacement strategy is secured despite its good location in the central Tokyo.
- Additionally, the population and the number of households of Taito-ku, where the Asset is located, are tending to increase. While the population has been decreasing nationwide, the population is expected to grow by 11.3% from the 2020 level by 2045, providing stable residential demand.

Source: National Institute of Population and Social Security Research, "Future Population Estimates of Japan (2018 estimation)"

■ Perspective Drawing / Property Location Map



\* The property is under construction and may differ from when completed.

Wide-area Map

\*For enlarged map, please refer to QR code.



<https://goo.gl/maps/Asy2SybD3mj8B6rx9>

# Japan Metropolitan Fund Investment Corporation

Property name	JMF-Residence Asakusabashi 3-chome			
Location	22-1, Asakusabashi 3-chome, Taito-ku, Tokyo Kita-ku, Tokyo, etc.			
Type of asset	Trust beneficiary right in real estate			
Trustee	Sumitomo Mitsui Trust Bank, Limited			
Trust period	April 30, 2024 –April 30, 2044 (Scheduled)			
Land				
	Land area	560.87 m <sup>2</sup> (Note)	Zoning	Commercial district
	FAR / building-to-land ratio	500%・600%/80%	Type of possession	Ownership
Building				
	Structure / stories	13 stories above ground, RC-structure (Planned)		
	Total floor area	3,450.17 m <sup>2</sup> (Planned)	Type	Residence, Retail (Planned)
	Completion date	April 2024 (Scheduled)	Type of possession	Ownership
	Design	GODA KOUMUTEN CO., LTD.		
	Construction			
	Constructional Inspector	J Architecture Inspection Center		
	PML	—		
Acquisition price	4,320 million yen			
Appraisal value	4,530 million yen (as of March 1, 2023)			
Appraiser	Japan Real Estate Institute			
Tenant summary				
	Number of tenants	—		
	Annual rent	—		
	Tenant leasehold / security deposit	—		
	Total leased area	—	Occupancy rate (based on leased area)	—
	Total leasable area	2,926.09 m <sup>2</sup>		
Collateral conditions	None			
Special notes	None			

(Note) Including an area (approx. 56.72m<sup>2</sup>) regarded as private road, etc.

- 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 scheduled to be concluded.
- “Location” represents the address of the property or the registered address of the building.
- “Land area” is based on descriptions in registry books.
- “Structure / stories”, “Total floor area” and “Type” are based on confirmed certificate notations.
- “Zoning” represents the classification of land by its use, stipulated in Section 1-1, Article 8 of the City Planning Act.
- 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.
- With regard to “Appraisal value”, JMF plans to obtain an appraisal value 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

The seller is domestic company, but we have not obtained the necessary permission from the seller to disclose its name and other related information. There are no capital, personal or business relationships to note between JMF/the Asset Manager and the seller. In addition, the seller does not fall under the category of a related party of JMF/the Asset Manager.

5. Status of Owners, Etc. of the Property

The acquisition of the Property is not from any parties having a special interest in JMF or the Asset Manager.

6. 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. <sup>(Note)</sup>" 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.

The Property is currently under construction and is scheduled to be completed in April 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; 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.

(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

A deposit of approximately 442 million yen will be paid on the planned date of contract, with the balance after deducting the deposit amount from the purchase price to be paid at the time of delivery.

8. Acquisition Schedule

Decision-making date	April 5, 2023
Contract completion date	April 6, 2023 (Scheduled)
Payment date	April 30, 2024 (Scheduled)
Property transfer date	

9. Future Outlook

There is no impact of the acquisition of the Property 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.

10. Appraisal Report Summary

Property name	JMF-Residence Asakusabashi 3-chome
Appraiser	Japan Real Estate Institute
Appraisal value	4,530 million yen
Appraisal date	March 1, 2023

Item	Value	Notes
Indicated value by income approach	4,530 million yen	
DC method	4,590 million yen	
Operating income	184 million yen	
Effective gross income	190 million yen	
Losses from vacancy, etc.	6 million yen	
Operational cost	28 million yen	
Maintenance and management fee	5 million yen	Assessed based on similar properties, taking into consideration the unique characteristics of the target property
Utility cost	1 million yen	Assessed based on similar properties, taking into consideration the unique characteristics of the target property
Repair expenses	1 million yen	Assessed based on ER, similar properties and other factors Including restoring cost in the residences
Property manager fee	3 million yen	Assessed based on similar properties, taking into consideration the unique characteristics of the target property
Leasing cost	6 million yen	Assessed based on similar properties and other factors
Property tax	9 million yen	Assessed based on amounts for tax and public date, taking into consideration tax burden adjustment measures and other factors
Insurance premium	0 million yen	Assessed based on similar properties and other factors
Other expenses	0 million yen	Internet usage fees are appropriated
Net operating income	156 million yen	
Operating profit on lump-sum payments	0 million yen	
Capital expenditure	0 million yen	
Net cash flow	156 million yen	
Capitalization rate	3.4 %	
DCF method	4,470 million yen	
Discount rate	3.2 %	
Terminal capitalization rate	3.5 %	
Indicated value by cost approach	4,480 million yen	
Land ratio	76.7 %	
Building ratio	23.3 %	

Other matters of consideration	N/A
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The building is under construction and is scheduled to be completed in April 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 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)	156 million yen
NOI yield	3.6 %
Depreciation	28 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.