Japan Metropolitan Fund Investment Corporation

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To all concerned parties:

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Notice Concerning Acquisition of Real Estate in Japan ((Tentative Name) JMF-Bldg. Okinawa Kokusai-Dori 01)

Japan Metropolitan Fund Investment Corporation ("JMF") announces today that KJR Management, JMF's asset manager (the "Asset Manager"), determined to acquire the real estate in Japan (70% co-ownership interest) (the "Property") as outlined below.

1. Overview of Acquisition

Property name	(Tentative Name) JMF-Bldg. Okinawa Kokusai-Dori 01 (70% co-ownership interest)
Location	29-20, Kumoji 3-chome, Naha-shi, Okinawa, etc.
Asset class	Mixed-use (Retail, Residence)
Type of asset	Real estate
Acquisition price (Planned)	2,470 million yen
Appraisal value	2,723 million yen (Note 1)
Contract completion date	May 21, 2024
Acquisition date (Scheduled)	February 13, 2026 (Note 2)
Seller	Hajime Construction Co., Ltd.
Broker	Applicable
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.

(Note 2) The Property has not yet been completed and the acquisition date is subject to change depending on the progress of the construction.

2. Reason for Acquisition

Highlights

JMF acquired co-ownership of a rare, newly built mixed-use property facing Kokusai Dori, one of the largest commercial districts in Okinawa. The acquisition was made through bilateral transactions based on its relationship with the developer. JMF has made steady progress in its asset replacement strategy.

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 new, mixed-use property consisting of commercial and residential spaces, and is located on Kokusai Dori, one of the largest commercial districts in Okinawa. JMF believes that building a relationship with the developer, the seller of the Property, and acquiring co-ownership through bilateral transactions, with JMF serving as the exit of development, contributes to the progress of asset replacement and improvement of the quality of its portfolio.

In addition, since the development stage, JMF has been exchanging opinions with the seller, who is also the co-owner of the Property, and plans to conduct leasing and tenancy activities for the Property in collaboration with the seller, utilizing JMF's management know-how in order to obtain stable revenue. Amid the challenging environment of acquiring properties in the market, JMF will continue to expand its acquisition methods, such as development projects, by strengthening its relationships with developers and other market participants.

3. Property Summary

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

Location

- The Property is located along Kokusai Dori and offers convenient access to transport, being a 7-minute walk from the Prefectural Office station on the Okinawa Urban Monorail, and a 10-minute walk from the Naha Bus Terminal.
- Kokusai Dori, where the Property is located, is Okinawa's most prominent main thoroughfare. As well as general discount stores, hotels, major restaurant chains and drugstores, the street is a bustling area with many restaurants and bars, giving it an advantage over other commercial districts.
- The Okinawa Prefectural Government Office and Naha City Hall are located near Prefectural Office station. In addition, the offices and other buildings along Route 58 make it the most highly concentrated business area in the prefecture. At the same time, several shopping streets connect with Kokusai Dori and boast a variety of convenient community facilities, making the area suitable for both work and residence.

Building Spec

- The Property is a 10-story mixed-use property to be completed in February 2026. Floors 1–3 will be retail and floors 4–10 will be residential (45 units).
- The Property will have openings to the southeast and northwest, and as there are no high-rise buildings in the vicinity, the residential section on floors 4 and above will have excellent views, lighting and ventilation. The Property also features indoor corridors, which is rare in Naha City, and the 1LDK floor plans (approximately 35 m^2) on floors 4–8 and the 2LDK floor plans (approximately 54 m^2) on floors 9–10 will meet a wide range of needs.

Profitability・Potential

- The Property is newly built, yet achieves the target NOI yield after depreciation as per JMF's asset replacement strategy.
- There are many older buildings in the area where the Property is located, and there is limited supply of retail stores or new apartment buildings targeted at single people. This makes the Property rare and highly competitive.
- Letters of intent have already been received from several companies for retail stores due to good visibility on a corner lot along Kokusai Dori.
- The population of Naha City has been decreasing slightly, but the number of households has been on a slightly upward trend since 2018. While the national population continues to decline, Naha's population will decline at a slower pace than the rest of the country. Given the decrease or flat trend in new construction starts and limited supply of rental apartment buildings since 2019, a certain level of firm demand can be expected for scarce new properties.

Sources: *Demographic Tables and Population Estimates*, Naha City,
Population Projections for Japan: 2021 to 2070 (2023), National Institute of Population and Social Security Research,
Housing Starts, Ministry of Land, Infrastructure, Transport and Tourism

■ 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://maps.app.goo.gl/nuD99taexRxrEsdq7

Property name		(Tentative Name) JMF-Bldg. Okinawa Kokusai-Dori 01		
Location		29-20, Kumoji 3-chome, Naha-shi, Okinawa, etc.		
Type of asset		Real estate (70% co-ownership interest)		
Trustee		-		
Trust period		-		
Land				
	Land area	621.08 ㎡ (Note)	Zoning	Commercial district
	FAR / building-to-land ratio	500%／80%	Type of possession	Ownership
Building				
	Structure / stories	10 stories above ground, RC-structure (Planned)		
	Total floor area	3,514.52 ㎡ (Planned)	Type	Residence・Retail (Planned)
	Completion date	February 2026 (Scheduled)	Type of possession	Ownership
	Design	IMI Co., Ltd.		
	Construction	IMI Co., Ltd.		
	Constructional Inspector	JAPAN ERI CO., LTD.		
	PML	—		
Acquisition price		2,470 million yen		
Appraisal value		2,723 million yen (as of May 1, 2024)		
Appraiser		CBRE K.K.		
Tenant summary				
	Number of tenants	—		
	Annual rent	—		
	Tenant leasehold / security deposit	—		
	Total leased area	—	Occupancy rate (based on leased area)	—
	Total leasable area	2,796.22 ㎡ (Planned)		
Collateral conditions		None		
Special notes		・ An agreement will be signed between the co-owners of the Property. Under this agreement, the co-owners will agree that if they intend to transfer all or part of their own co-ownership interest to a third party, they will negotiate with the other co-owner in priority to other parties. They will also agree that, in principle, any decisions on important matters related to operation will be made by unanimous agreement of all co-owners. ・ Boundary line confirmations have not been executed for this land and some adjoining land.		

(Note) Including an area (approx. 6.27m^2) 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.
・"Location" represents the address of the Property or the registered address of the building.
・"Land area" is based on descriptions in registry books for the entire land.
・"Structure / stories", "Total floor area" and "Type" are based on confirmed certificate notations for the entire building.
・"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 for the entire building, etc.

4. Overview of Seller

Name	Hajime Construction Co., Ltd.
Location	26-11, Shakujiimachi 2-chome, Nerima-ku, Tokyo
Name and job title of the representative	Representative Director Tadayoshi Horiguchi
Business	Built-for-sale detached houses, built-for-sale apartment buildings, contract construction, development and sale of investment properties
Capital	3,298.5 million yen (as of March 31, 2023)
Date established	February 13, 1967
Net assets	121,355 million yen (as of March 31, 2023)
Total assets	331,142 million yen (as of March 31, 2023)
Major shareholder (shareholding ratio)	Iida Group Holdings Co., Ltd. (100%) (as of March 31, 2023)
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. 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. Overview of Broker

There are no capital, personal or business relationships to note between JMF/the Asset Manager and the broker.

7. 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.

As the Property is currently under construction, with the building due to be completed in February 2026, 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."

8. Means of Payment

Full payment at the time of transfer

9. Acquisition Schedule

Decision-making date	May 21, 2024
Contract completion date	
Payment date	February 13, 2026 (Scheduled)
Property transfer date	

10. Future Outlook

As the acquisition of the Property is scheduled in February 2026, there are no impact on the fiscal period ending August 2024 fiscal period (45th fiscal period: March 1, 2024 to August, 2024), and February 2025 fiscal period (46th fiscal period: September 1, 2024 to February 28, 2025).

In addition, in the relevant period, net income per unit and distributions per unit will increase compared to the announced forecasts as a result of (1) an increase in fixed rent due to progress in acquiring tenants for leased office properties and (2) higher revenue-based rent due mainly to strong sales of retail properties, increased GOP at hotels, and other factors. However, no changes were made at this time to the announced figures, since the difference will not meet the disclosure standards.

[Reference]
The forecast of the operating results for August 2024 fiscal period (Announced on April 17, 2024), and the results for February 2024 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)
August 2024 fiscal period (The forecast)	40,478	17,409	15,294	15,293	2,250	0
February 2024 fiscal period (The results)	40,879	18,026	16,016	16,016	2,270	0

11. Appraisal Report Summary

Property name	(Tentative Name) JMF-Bldg. Okinawa Kokusai-Dori 01 (70% co-ownership interest)
Appraiser	CBRE K.K.
Appraisal value	2,723 million yen
Appraisal date	May 1, 2024

Item	Value	Notes
Indicated value by income approach	2,723 million yen	
DC method	2,737 million yen	
Operating income	186 million yen	
Effective gross income	193 million yen	
Losses from vacancy, etc.	6 million yen	
Operational cost	28 million yen	
Maintenance and management fee	6 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 and other factors
Repair expenses	2 million yen	Assessed based on similar properties and other factors. Including restoring cost in the residences
Property manager fee	5 million yen	Assessed based on similar properties, taking into consideration the unique characteristics of the target property and other factors
Leasing cost	4 million yen	Assessed based on similar properties and other factors
Property tax	6 million yen	Assessed based on tax and public data and burden adjustment measures
Insurance premium	0 million yen	Assessed based on similar properties and other factors
Other expenses	0 million yen	Included Internet fee
Net operating income	158 million yen	
Operating profit on lump-sum payments	1 million yen	
Capital expenditure	2 million yen	
Net cash flow	156 million yen	
Capitalization rate	4.0 %	
DCF method	2,723 million yen	
Discount rate	3.7 %	
Terminal capitalization rate	4.0 %	
Indicated value by cost approach	2,030 million yen	
Land ratio	67.0 %	
Building ratio	33.0 %	

Other matters of consideration	N/A

- The building is under construction and is scheduled to be completed in February 2026, 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.
- Each income and expenditure item is a figure for the entire building, and the estimated price is the overall estimated price of the building multiplied by 70% of the co-ownership interest.

[Reference]

Prospective Income and Expenditures for the Properties

NOI (Net Operating Income)	110 million yen
NOI yield	4.5 %
Depreciation	23 million yen
NOI yield after depreciation	3.6 %

- 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.

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