Japan Metropolitan Fund Investment Corporation

September 4, 2024

To all concerned parties:

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Notice Concerning Disposition and Acquisition of Trust Beneficiary Right in Real Estate in Japan (Disposition: Ito-Yokado Tsunashima, Acquisition: CROSS MUKOGAOKA)

Japan Metropolitan Fund Investment Corporation ("JMF") announces today that KJR Management, JMF's asset manager (the "Asset Manager"), determined to dispose of the trust beneficiary right in real estate in Japan and to acquire the trust beneficiary right in real estate in Japan (hereinafter the property disposition is referred to as the "Disposition," and the property acquisition is referred to as the "Acquisition"), as outlined below.

1. Overview of the Disposition

Property name	Ito-Yokado Tsunashima
Location	8-1, Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa
Asset class	Retail
Disposition price (Planned)	9,000 million yen ① 5,400 million yen（60% co-ownership interest） ② 3,600 million yen（40% co-ownership interest）
Book value (Note 1)	4,287 million yen
Gains on disposition (Note 2)	Approx. 4.56 billion yen
Broker	None
Purchaser	Not disclosed(Note 3)
Contract completion date	September 4, 2024
Disposition date (Scheduled)	① February 28, 2025 ② March 3, 2025

(Note 1) Book value refers to the estimated figures as of the month of disposition.
(Note 2) Gains on disposition are reference figures as the difference calculated at this time by subtracting book value and disposition-related expenses from the scheduled disposition price, and may differ from the actual gains on disposition.
(Note 3) Not disclosed as the purchaser has not agreed to the disclosure. There are no capital, personal or business relationships to note between JMF/the Asset Manager and the purchaser.

2. Overview of the Acquisition

Property name	CROSS MUKOGAOKA
Location	2779-1, Aza-Kou-Kouchi Noborito, Tama-ku, Kawasaki-shi, Kanagawa
Asset class	Retail
Type of asset	Trust beneficiary right in real estate
Acquisition price (Planned)	4,800 million yen
Appraisal value	6,210 million yen
Contract completion date	September 4, 2024
Acquisition date (Scheduled)	April 1, 2025
Seller (Note)	Not disclosed
Broker	None
Acquisition funds	Cash on hand, Debt (Planned)

(Note) 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.

3. Reason for Disposition and Acquisition

Highlights

① Enhancing DPU

・With the departure of the tenant of the Disposition property, by selecting "asset disposition" from among the multiple scenarios, JMF will make a gain on sales of approximately 4.56 billion yen and will return the entire amount as distributions over two fiscal periods.

・The Acquisition property is an urban retail property with a yield of 4.4% after depreciation and NOI growth expected in the future.

② Enhancing NAV

・JMF will use the proceeds from the Disposition to acquire a property with an unrealized gain ratio of approximately 30%.

③ Improving total returns

・The asset replacement through this initiative will result in increases in both NAV and DPU, thereby improving total returns.

As there have been constant changes to the operating environment surrounding real estate, such as the recovery of retail properties and inbound tourism in the post-COVID-19 era, 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 the 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.

(1) **Maximizing unitholder value by enhancing DPU**

The Disposition property, Ito-Yokado Tsunashima, is a 42-year-old retail property that was acquired in June 2004. It is conveniently located a four-minute walk from Tsunashima Station on the Tokyu Toyoko Line and a six-minute walk from Shin-Tsunashima Station on the Tokyu Shin-Yokohama Line. With the departure of the main tenant, we have been examining multiple scenarios, including whether to hold the property with a replacement tenant or to dispose of the property.

As a result, we have determined that choosing to sell the property at a price 75% above the appraisal value and obtaining a gain on sales of approximately 4.56 billion yen will contribute to maximizing unitholder value. The Disposition will be implemented over two fiscal periods, the February 2025 (46th) fiscal period and the August 2025 (47th) fiscal period, and we plan to return the entire amount of the gain on sales to be acquired as a source of dividends to enhance the distribution level.

Meanwhile, the Acquisition property has a yield after depreciation of 4.4%, which is higher than the portfolio average (3.5%). It also has room for future NOI growth as it is a newly built, urban retail property in a prime location, so it is expected to contribute to enhancing DPU.

(2) **Enhancing NAV through the use of proceeds from the Disposition**

As a possible use of proceeds from the Disposition, in addition to acquiring a new property, we have also considered repurchase of own investment units, depending on the level of unit prices. In those circumstances, we have determined that utilizing the proceeds from the Disposition to acquire a prime property with an unrealized profit ratio of approximately 30% will contribute to enhancing NAV.

This asset replacement increases NAV per unit by 87 yen.

(3) **Improving total returns through asset replacement**

As JMF enters the growth phase, we aim to enhance DPU and NAV over the medium- to long-term, that is, to improve total returns as defined by JMF, based on the following two factors:

- DPU: In addition to growth in existing properties, improved profitability through asset replacement, and ongoing active return of gain on sales
- NAV: Improved cash flow from existing properties and acquisition of new properties with a high unrealized profit ratio

Since the replacement of assets is expected to enhance DPU as described in (1) above and NAV per unit as described in (2) above, total returns are expected to increase.

4. Property Summary (Disposition)

[Ito-Yokado Tsunashima]

A summary of the Property to be disposed of is set out in Part 1, Fund Information, Item 1. Status of the Fund, 5. Status of investment management, (2) Investment assets, of JMF's securities report for the 44th fiscal period submitted on May 30, 2024.

5. Property Summary (Acquisition)

[CROSS MUKOGAOKA]

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

Location

- The Property is about a four-minute walk from the south exit of Mukogaoka-Yuen Station on the Odakyu Railway Odawara Line. The area around the south exit of the station is highly commercialized, with a concentration of shops extending to the vicinity of the Property. It is also about a 10-minute walk from Noborito Station on the Odakyu Railway Odawara Line and the JR Nambu Line.

- The Property is located near Fuchu-kaido Ave. And is a rare large retail property with parking facilities, making it accessible not only on foot or by bicycle but also by car.

Building Spec

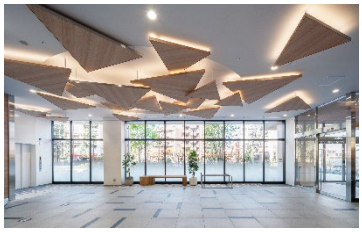
- It is a newly built retail property that opened in April 2024.
- The Property comprises a total of 14 tenants, including a supermarket, etc. on the first floor, specialty stores such as a drugstore and a 100-yen shop on the second floor, and an electronics retail store on the third floor, making it one of the most comprehensive Neighborhood Shopping Centers (NSC) in the area.

Potential

- As of 2023, the population of Tama-ku, Kawasaki-shi, is approximately 215,000 (based on the Basic Resident Register), showing a slight increase of 3.7% compared to 2018.
- Apartment buildings and other developments are underway in several blocks near the north exit of Mukogaoka-Yuen Station, which is expected to enhance the value of the area and create further upside potential for the Property through tenant replacement and other means.

■Perspective Drawing / Property Location Map









Wide-area Map *For enlarged map, please refer to QR code.
https://maps.app.goo.gl/SdAYyTtXWTTCPD5W7

Property name		CROSS MUKOGAOKA		
Location		2779-1 Aza-Kou-Kouchi Noborito, Tama-ku, Kawasaki-shi, Kanagawa		
Type of asset		Trust beneficiary right in real estate		
Trustee		Sumitomo Mitsui Trust Bank, Limited (Planned)		
Trust period		April 1, 2025 –April 30, 2045 (Scheduled)		
Land				
	Land area	5,653.40 ㎡	Zoning	Neighborhood commercial district
	FAR / building-to-land ratio	200.00%／80.00%	Type of possession	Ownership
Building				
	Structure / stories	4 stories above ground, S-structure with flat roof		
	Total floor area	9,205.46 ㎡	Type	Retail
	Completion date	November 30, 2023	Type of possession	Ownership
	Design	ICHIKEN Co., Ltd.		
	Construction	ICHIKEN Co., Ltd.		
	Constructional Inspector	Japan Constructive Inspect Association		
	PML	7.6% (Based on the earthquake risk assessment (details) report prepared by Engineering and Risk Services Corporation)		
Acquisition price		4,800 million yen		
Appraisal value		6,210 million yen (as of September 1, 2024)		
Appraiser		Tanizawa Sōgō Appraisal Co., Ltd.		
Tenant summary (as of July 30, 2024)				
	Number of tenants	14		
	Annual rent	317 million yen		
	Tenant leasehold / security deposit	211 million yen		
	Total leased area	6,771.29 ㎡	Occupancy rate (based on leased area)	100%
	Total leasable area	6,771.29 ㎡		
Collateral conditions		None		
Special notes		・An easement has been established with this land as the servient land and the adjacent land owned by a third party as the dominant land. The purpose of this easement is to use this land as a building site in the calculation of the floor-area ratio, building coverage ratio, and height restrictions, etc. as defined by the Building Standards Act for any buildings to be constructed on the adjacent land. Accordingly, it is prohibited to construct any building on this land that exceeds a floor-area ratio of 165.47% or a total floor area of 9,354.80㎡ as specified by the Building Standards Act, as well as any building for purposes other than retail store use. ・The seller has agreed to restore the compliance-related issues identified in the engineering report and other documents regarding the Property at the responsibility and cost of the seller.		

・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 concluded
・“Location” represents the address of the property or the registered address of the building.
・“Land area”, “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.
・“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” , “Total leasable area” and “Occupancy rate (based on leased area)” represent the total sums and areas in the lease contracts, etc. as of the above.

6. Overview of Purchaser and Seller

[Ito-Yokado Tsunashima]

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

[CROSS MUKOGAOKA]

The seller is a 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.

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.

(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. The Disposition and The Acquisition schedule

	The Disposition	The Acquisition
Property name	Ito-Yokado Tsunashima	CROSS MUKOGAOKA
Decision-making date	September 4, 2024	September 4, 2024
Contract completion date		
Payment date (Scheduled)	① February 28, 2025	April 1, 2025
Property transfer date (Scheduled)	② March 3, 2025	

10. Future Outlook

As a result of the Disposition, JMF expects to record a gain on sales of approximately 2.71 billion yen in the February 2025 (46th) fiscal period and approximately 1.85 billion yen in the August 2025 (47th) fiscal period, for a total of approximately 4.56 billion yen.

There is no impact of the Disposition and the Acquisition on the August 2024 (45th) fiscal period. For the forecast of operating results for the February 2025 (46th) fiscal period, please refer to "Notice Concerning Revised Forecasts for Operating Results and Distributions (Upward Revision) for the February 2025 (46th) Fiscal Period" and "Supplemental Material Concerning Today's Press Release." dated Today.

11. Appraisal Report Summary

<Assets to be disposed>

Property name	Ito-Yokado Tsunashima
Appraiser	Japan Real Estate Institute
Appraisal value	5,130 million yen
Appraisal date	February 29, 2024

Item	Value	Notes
Indicated value by income approach	5,130 million yen	
DC method	5,140 million yen	
Operating income	324 million yen	
Effective gross income	324 million yen	
Losses from vacancy, etc.	0 yen	
Operational cost	39 million yen	
Maintenance and management fee	0 million yen	
Utility cost	0 yen	
Repair expenses	0 million yen	
Property manager fee	Not disclosed	As the disclosure of this item may negatively affect JMF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and has included it under "Other expenses" instead.
Leasing cost	0 million yen	
Property tax	35 million yen	
Insurance premium	Not disclosed	As the disclosure of this item may negatively affect JMF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and has included it under "Other expenses" instead.
Other expenses	3 million yen	
Net operating income	284 million yen	
Operating profit on lump-sum payments	3 million yen	
Capital expenditure	5 million yen	
Net cash flow	282 million yen	
Capitalization rate	5.5 %	
DCF method	5,120 million yen	
Discount rate	4.8 %	
Terminal capitalization rate	5.3 %	
Indicated value by cost approach	5,370 million yen	
Land ratio	92.9 %	
Building ratio	7.1 %	

Other matters of consideration	N/A

<Assets to be acquired>

Property name	CROSS MUKOGAOKA
Appraiser	Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal value	6,210 million yen
Appraisal date	September 1, 2024

Item	Value	Notes
Indicated value by income approach	6,210 million yen	
DC method	6,470 million yen	
Operating income	430 million yen	
Effective gross income	437 million yen	
Losses from vacancy, etc.	6 million yen	
Operational cost	184 million yen	
Maintenance and management fee	59 million yen	
Utility cost	69 million yen	Assessed based on actual income and expenditure, etc.
Repair expenses	1 million yen	With reference to the ER and similar properties and other factors
Property manager fee	Not disclosed	As the disclosure of this item may negatively affect JMF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and has included it under "Other expenses" instead.
Leasing cost	2 million yen	Assessed based on similar properties and other factors
Property tax	38 million yen	Assessed based on materials relating to taxes and public charges and tax burden adjustments and other factors
Insurance premium	Not disclosed	As the disclosure of this item may negatively affect JMF's competitiveness and business to the detriment of its unitholders, the Asset Manager has decided not to disclose this information here, and has included it under "Other expenses" instead.
Other expenses	13 million yen	
Net operating income	245 million yen	
Operating profit on lump-sum payments	2 million yen	
Capital expenditure	2 million yen	
Net cash flow	245 million yen	
Capitalization rate	3.8 %	
DCF method	6,100 million yen	
Discount rate	3.7% (from first year to the third year) 3.9% (from the fourth year onward)	
Terminal capitalization rate	4.0 %	
Indicated value by cost approach	6,530 million yen	
Land ratio	75.5 %	
Building ratio	24.5 %	

Other matters of consideration	N/A

[Reference]

Prospective Income and Expenditures for the Property

Property name	CROSS MUKOGAOKA
NOI (Net Operating Income) / NOI yield	245 million yen / 5.1 %
Depreciation / NOI yield after depreciation	34 million yen / 4.4 %

・ 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.