Japan Metropolitan Fund Investment Corporation

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To all concerned parties:

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Notice Concerning Acquisition of Trust Beneficiary Right in Real Estate in Japan ((Tentative Name) Kamakura-shi Onarimachi Project)

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	(Tentative Name) Kamakura-shi Onarimachi Project
Location	12-8, Onarimachi, Kamakura-shi, Kanagawa
Asset class	Hotel
Type of asset	Trust beneficiary right in real estate (Note 1)
Acquisition price (Planned)	3,200 million yen
Appraisal value	3,910 million yen (Note 2)
Contract completion date (Scheduled)	November 22, 2024
Acquisition date (Scheduled)	March 1, 2026 (Note 3)
Seller	Hajime Construction Co., Ltd.
Broker	None
Acquisition funds	Cash on hand, Debt (Planned)

(Note 1) Agreement has been reached with the seller that the (Tentative Name) Kamakura-shi Onarimachi Project will be established trust with the Property as trust asset by the time of the acquisition and JMF will acquire the trust beneficiary right of the trust.

(Note 2) 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 3) The Property has not yet been completed, and JMF plans to acquire it after it is completed, but the acquisition date is subject to change depending on the progress of the construction.

2. Reason for Acquisition

Highlights

- **JMF acquired a newly built property in a prime location a 1-minute walk from the Kamakura Station at a discount with an unrealized gain of 22.2% through its relationship with a developer.**
- **JMF secured an NOI yield of 5.3%, well above the implied cap rate, and expects further upside through variable rents.**

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 exchanged opinions on the development plan with the seller, Hajime Construction Co., Ltd. ("Hajime Construction"), after obtaining information on the land for the Property before the COVID-19 pandemic. Hajime Construction is the same seller as for (Tentative Name) JMF-Bldg. Okinawa Kokusai-Dori 01, the acquisition of which was dated May 21, 2024, and this acquisition is the result of ongoing transactions with the developer.

As a diversified REIT, JMF has a track record of managing properties for a variety of uses and is able to choose from a variety of development plans. In this instance, JMF determined that the most effective use of the property would be to develop a hotel, taking advantage of its location near the Kamakura Station, a highly popular tourist destination. JMF was also able to leverage its tenants' relations to invite an operator represented by a person with experience in setting up and operating hotels in Kamakura.

In addition, JMF expects to secure an NOI yield on the Property of 5.3%, which is significantly higher than the implied cap rate that it has set as its target when acquiring properties. On the other hand, as the lease agreement includes variable rent linked to GOP in addition to fixed rent, JMF believes that this will contribute to an improvement in total return due to the expected additional upside it provides.

3. Property Summary

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

<u>Location</u>

- The Property is located a one-minute walk from the west exit of Kamakura Station on the JR Yokosuka and Shonan Shinjuku Lines and on the Enoshima Electric Railway (Enoden) Line. The area is a highly popular tourist destination. Accommodation facilities in the vicinity of the station are limited, making it a location with an advantage.
- The Property is also very close to stops serviced by Enoden and buses, which are the main means of transportation for tourists, making it a very convenient base for sightseeing in Kamakura.

Building Spec

- The Property is a new hotel scheduled for completion in January 2026. It has five levels above ground and one basement level. The concept is a modern “hot-spring inn” with a theme of strolling around Kamakura and bathing, and on the basement level, there will be a large public bath—a rarity in the Kamakura Station area—as well as a full-fledged sauna where guests can bathe in the open air. There will be 36 guest rooms, and the interior design is modern with a Japanese feel, creating a compact but comfortable space. On the fifth floor, there will be two 60+ square meter guest rooms, each with a half open-air bath, differentiating the Property from its competitors as a lifestyle hotel with a unique concept.
- The operator will be VALM Inc., a company that was established by a person with experience in setting up and operating hotels in Kamakura. The members who make up the company are also familiar with the hotel business in the Kamakura area. The company is also engaged in the planning and operation of the BOTANICAL POOL CLUB, a hotel with a POOL CLUB theme, and is building a track record in operations in this area. The company has already signed a fixed-term building lease reservation agreement with the seller.

Potential

- The number of tourists to Kamakura City is expected to grow over the long term, due to the northern Kanto area being added to the market following the start of service on the JR Ueno-Tokyo Line, combined with a rise in inbound tourism buoyed in part by the local anime boom and the recent depreciation of the yen.
- Solid demand for hotels is also expected in Kamakura City, as the supply of hotel rooms is relatively low compared to the number of tourists and because there is very little land available for hotels in the vicinity of Kamakura Station.

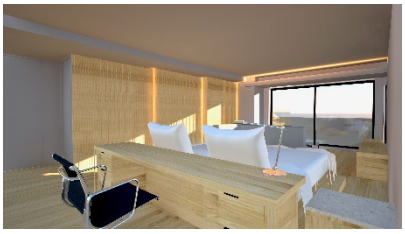
■ Perspective Drawing / Property Location Map

【Exterior】

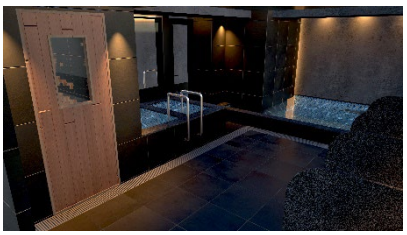


* The perspective drawing is an image of the current state of the building, and may differ from the completed building.

【Guest room】



【Large public bath】



Wide-area Map

*For enlarged map, please refer to QR code.



https://maps.app.goo.gl/xnTKSFcBPamo2G4M8

Property name		(Tentative Name) Kamakura-shi Onarimachi Project		
Location		12-8, Onarimachi, Kamakura-shi, Kanagawa		
Type of asset		Trust beneficiary right in real estate		
Trustee		Sumitomo Mitsui Trust Bank, Limited (Planned)		
Trust period		March 1, 2026 – March 31, 2046 (Scheduled)		
Land				
	Land area	433.54 ㎡	Zoning	Commercial district
	FAR / building-to-land ratio	400%／80%	Type of possession	Ownership
Building				
	Structure / stories	5 stories above ground and 1 basement floor, RC-structure (Planned)		
	Total floor area	1,811.57 ㎡ (Planned)	Type	Hotel (Planned)
	Completion date	January 2026 (Scheduled)	Type of possession	Ownership
	Design	Nikki Design Co., Ltd.		
	Construction	Maruyama Koumusho		
	Constructional Inspector	URABAN HOUSING EVALUATION CENTER		
	PML	—		
Acquisition price		3,200 million yen		
Appraisal value		3,910 million yen (as of November 1, 2024)		
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.		
Tenant summary (Planned)				
	Number of tenants	1		
	Annual rent	Not disclosed (Fixed rent + Variable rent) (Note) [Fixed rent] Not disclosed [Variable rent] Variable rent calculated using the following formula is added to fixed rent GOP x fixed rate		
	Tenant leasehold / security deposit	Not disclosed (Note)		
	Total leased area	—	Occupancy rate (based on leased area)	100.0%
	Total leasable area	—		
Collateral conditions		None		
Special notes		・ This land is within a well-known buried cultural property site (Wakamiyaoji Area Archaeological Site Group) under the Act on the Protection of Cultural Properties. For that reason, any engineering work on the land requires at least 60 days' notice prior to the start of such work.		

(Note) Not disclosed as the tenant has not agreed to the disclosure.

・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", and "Occupancy rate (based on leased area)" are based on the lease reservation agreement with the tenant.
・"Total leased area" and "Total leasable area" have been left blank (indicated with a dash), as the asset to be acquired is currently under construction.

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, 2024)
Date established	February 13, 1967
Net assets	118,939 million yen (as of March 31, 2024)
Total assets	351,844 million yen (as of March 31, 2024)
Major shareholder (shareholding ratio)	Iida Group Holdings Co., Ltd. (100%) (as of March 31, 2024)
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. 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 January 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."

7. Means of Payment

Full payment at the time of transfer

8. Acquisition Schedule

Decision-making date	November 20, 2024
Contract completion date	November 22, 2024 (Scheduled)
Payment date	March 1, 2026 (Scheduled)
Property transfer date	

9. Future Outlook

As the acquisition of the Property is scheduled in March 2026, there are no impact on the fiscal period ending February 2025 fiscal period (46th fiscal period: September 1, 2024 to February 28, 2025), and August 2025 fiscal period (47th fiscal period: March 1, 2025 to August 31, 2025).

10. Appraisal Report Summary

Property name	(Tentative Name) Kamakura-shi Onarimachi Project
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.
Appraisal value	3,910 million yen
Appraisal date	November 1, 2024

Item	Value	Notes
Indicated value by income approach	3,910 million yen	
DC method	4,130 million yen	
Operating income	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.
Effective gross income		
Losses from vacancy, etc.		
Operational cost		
Maintenance and management fee		
Utility cost		
Repair expenses		
Property manager fee		
Leasing cost		
Property tax		
Insurance premium		
Other expenses		
Net operating income	169 million yen	
Operating profit on lump-sum payments	1 million yen	
Capital expenditure	1 million yen	Assessed based on the allocation of figures from engineering reports and similar cases to "repair expenses 3: capital expenditure 7".
Net cash flow	169 million yen	
Capitalization rate	4.1 %	
DCF method	3,820 million yen	
Discount rate	4.2 %	
Terminal capitalization rate	4.3 %	
Indicated value by cost approach	3,440 million yen	
Land ratio	82.7 %	
Building ratio	17.3 %	

Other matters of consideration	N/A

・ The building is under construction and is scheduled to be completed in January 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.

[Reference]

Prospective Income and Expenditures for the Properties

NOI (Net Operating Income)	169 million yen
NOI yield	5.3 %
Depreciation	18 million yen
NOI yield after depreciation	4.7 %

・ 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.