Japan Metropolitan Fund Investment Corporation

November 27, 2024

To all concerned parties:

Investment Corporation
Japan Metropolitan Fund Investment Corporation
(Tokyo Stock Exchange Company Code: 8953)
Representative: Masahiko Nishida, Executive Director
URL: https://www.jmf-reit.com/english/
Asset Management Company
KJR Management
Representative: Naoki Suzuki, President & CEO
Inquiries: Keita Araki, Executive Officer & Head of Metropolitan Division
TEL: +81-3-5293-7081

Notice Concerning Acquisition of Trust Beneficiary Right in Real Estate in Japan (JMF-Bldg. Nagoya Sakae 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. Nagoya Sakae 01 (Note)
Location	11-31, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi
Asset class	Office
Type of asset	Trust beneficiary right in real estate
Acquisition price (Planned)	9,689 million yen
Appraisal value	10,700 million yen
Contract completion date (Scheduled)	November 27, 2024
Acquisition date (Scheduled)	December 2, 2024
Seller	G.K. Hari
Broker	Applicable
Acquisition funds	Cash on hand, Debt (Planned)

(Note) Property name is JMF's management name. The facility is currently referred to as "GLASS CITY SAKAE", but the facility name will be changed to "JMF-Bldg. Nagoya Sakae 01" after the acquisition.

2. Reason for Acquisition

Highlights

Acquisition of the office located in Sakae, Nagoya City with an NOI yield of 4.6%, which exceeds the implied cap rate

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 one of the office properties from which it is able to secure an NOI yield, which is a higher level than the implied cap rate that it has set as its target when acquiring properties.

The Property is located in Sakae, a major business district of Nagoya City. It has excellent transportation convenience and specifications equivalent to those of recently-built buildings. In March 2024, the bridge vehicle acquired the Property in line with opinions of the Asset Manager. The occupancy rate of the Property improved by 7.4% in just a few months, and is expected to rise to 90% in the future.

In light of the foregoing, JMF believes that the acquisition of the Property will contribute to progressing asset replacement and improving the quality of its portfolio.

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 a 9-minute walk from Sakae Station on the Nagoya Municipal Subway Higashiyama and Meijo Lines and Fushimi Station on the Higashiyama Line, making it highly convenient for transportation with easy access to these two stations and two lines.
- Sakae is a business district that represents Nagoya City. The vacancy rate in this area in the second quarter of 2024 was 3.5%, remaining at a low level due to positive office demand for expansion and new construction.

Source: *Japan Office Market View*, CBRE K.K.

<u>Building Spec</u>

- The Property has 14 levels above ground and one basement level. The total floor area is approximately 4,165 tsubo, and the standard floor area is approximately 224 tsubo, making it a suitable size for the Sakae area. It is possible to divide one floor into five sections, so it can also meet the needs of small-scale tenants.
- The Property has sufficient specifications, including a ceiling height of 2,700 mm, an OA floor, and individual air conditioning, giving it a competitive advantage in the Sakae area, where many office buildings are over 30 years old.

Potential

- As there is a certain degree of discrepancy between the current rents and the market rents for the Property, we aim to further improve profitability by raising the rents when renewing contracts with tenants and replacing them.

■ Property Photo / Property Location Map



Wide-area Map
*For enlarged map, please refer to QR code.



https://maps.app.goo.gl/j9roaQSR8tA8qx6X6

Property name		JMF-Bldg. Nagoya Sakae 01		
Location		11-31, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi		
Type of asset		Trust beneficiary right in real estate		
Trustee		Sumitomo Mitsui Trust Bank, Limited (Planned)		
Trust period		December 2, 2024 – December 31, 2044 (Scheduled)		
Land				
	Land area	1,978.16 ㎡	Zoning	Commercial district
	FAR / building-to-land ratio	600%／80%	Type of possession	Ownership
Building				
	Structure / stories	14 stories above ground and 1 basement floor, S-structure with flat roof, 1 story above ground, S-structure with galvanized alloy roof		
	Total floor area	13,770.17 ㎡	Type	Office, Retail, Parking lot
	Completion date	September 8, 2008	Type of possession	Ownership
	Design	Mitsubishi Jisho Design Inc.		
	Construction	Nippon Steel Engineering Co., Ltd., and Sato Kogyo Co., Ltd JV		
	Constructional Inspector	The Building Center of Japan		
	PML	6.8% (Based on the earthquake risk assessment (details) report prepared by Engineering and Risk Services Corporation)		
Acquisition price		9,689 million yen		
Appraisal value		10,700 million yen (as of November 1, 2024)		
Appraiser		JLL Morii Valuation & Advisory K.K.		
Tenant summary (as of October 31, 2024)				
	Number of tenants	25		
	Annual rent	409 million yen		
	Tenant leasehold / security deposit	275 million yen		
	Total leased area	8,274.42 ㎡	Occupancy rate (based on leased area)	83.5%
	Total leasable area	9,915.23 ㎡		
Collateral conditions		None		
Special notes		・ The floor-area ratio of the land for the Property is originally 600%, but by planning part of the site as open land, the Comprehensive Design System has been applied, and the increased floor-area ratio is 697.74%. In addition, it is necessary to provide open space for general traffic and to maintain and manage the open space.		

・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" 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 retail zone and the end-tenants in the residential 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 a property 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 parking lot or bicycle parking lot, etc. 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.

4. Overview of Seller

Name	G.K. Hari
Location	In AOJ Tax Accountant Corporation, 2-10, Hatchobori 4-chome, Chuo-ku, Tokyo
Name and job title of the representative	Representative Partner SH Hari Executing person Takahito Idesawa
Business	1. Acquisition, holding, and disposition of real estate 2. Leasing and management of real estate 3. Acquisition, holding, and disposition of trust beneficiary right in real estate 4. Any other business incidental or related to the items described above
Capital	100,000 yen
Date established	January 31, 2024
Net assets	Not disclosed because the seller's approval has not been obtained.
Total assets	
Major shareholder (shareholding ratio)	
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

None

8. Means of Payment

Full payment at the time of transfer

9. Acquisition Schedule

Decision-making date	November 27, 2024
Contract completion date	
Payment date	December 2, 2024 (Scheduled)
Property transfer date	

10. Future Outlook

The impact of the acquisition on the fiscal period ending February 2025 (46th fiscal period: September 1, 2024 to February 28, 2025) and the August 2025 fiscal period (47th fiscal period: March 1, 2025 to August 31, 2025), will be minor and there are no revisions of forecasts of results.

11. Appraisal Report Summary

Property name	JMF-Bldg. Nagoya Sakae 01
Appraiser	JLL Morii Valuation & Advisory K.K.
Appraisal value	10,700 million yen
Appraisal date	November 1, 2024

Item	Value	Notes
Indicated value by income approach	10,700 million yen	
DC method	10,700 million yen	
Operating income	629 million yen	
Effective gross income	651 million yen	In addition to rent income, this includes parking lot income, utility income, and other income.
Losses from vacancy, etc.	22 million yen	
Operational cost	184 million yen	
Maintenance and management fee	45 million yen	Assessed based on reservation agreement and similar properties
Utility cost	68 million yen	Assessed based on actual performance values
Repair expenses	5 million yen	Assessed based on the engineering report dated November 2024 by JMF.
Property manager fee	6 million yen	Assessed based on reservation agreement and similar properties
Leasing cost	5 million yen	Assessed based on the new floor area, new rent, and occupancy rate expected due to tenant turnover
Property tax	51 million yen	Assessed based on actual performance values
Insurance premium	1 million yen	Assessed based on similar properties, taking into consideration estimated amount
Other expenses	1 million yen	Assessed based on actual performance values
Net operating income	444 million yen	
Operating profit on lump-sum payments	3 million yen	
Capital expenditure	50 million yen	
Net cash flow	397 million yen	
Capitalization rate	3.7 %	
DCF method	10,600 million yen	
Discount rate	3.3 %	
Terminal capitalization rate	3.7 %	
Indicated value by cost approach	10,100 million yen	
Land ratio	83.0 %	
Building ratio	17.0 %	

Other matters of consideration	N/A

[Reference]

Prospective Income and Expenditures for the Property

NOI (Net Operating Income)	444 million yen
NOI yield	4.6 %
Depreciation	43 million yen
NOI yield after depreciation	4.1 %

・ 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.