

December 9th, 2022
Diamond Realty Management Inc.

Launch of DREAM U.S. Mezzanine Debt Fund 3 and
DREAM U.S. Mezzanine Separate Fund 3
(Total commitment amount: \$76 million)

Diamond Realty Management Inc. (“DREAM”) announces that it has launched DREAM US Mezzanine Debt Fund 3 (the “Fund 3”), and DREAM US Mezzanine Separate Fund 3 (the “Separate 3”); both private placement funds investing in real estate debts in the United States.

1) Features of the Fund 3

The Fund 3 has received investment commitment of \$61 million from several Japanese institutional investors (financial institutions, business companies, etc.) and began investing in October 2022.

① Investment targets are floating-rate loans

By targeting floating-rate loans, the Fund aims to benefit from a relatively high level of US interest rates compared to those in Japan. We aim to achieve for a final return of fund of approximately 7%, which is higher than the distribution yield of recent private REITs and our domestic mezzanine debt funds. However, the final return may exceed the target level considering that market interest rates are rising.

② Blind pooled fund

The Fund 3 uses a blind pooling method where mezzanines loans, funded by investors based on capital calls, are taken in on a case-by-case basis. In addition, if the mezzanine loans are redeemed during the investment period, the funds recovered from the redemption can be reinvested in a new mezzanine loan. Although the fund 3 is a blind pooled fund, the collateralized properties are limited to residential assets, student housings, and logistics facilities.

③ Investment in both construction loan projects and existing real estate loan projects

By combining construction loans and existing real estate loans, the Fund 3 aims to secure returns while reducing risk in the overall portfolio

2) Features of the Separate 3

The Separate 3 has received investment commitment of \$15 million from a domestic institutional investor and began investing in November 2022.

① Specified Asset Fund

The collateralized property of the Separate 3 is an existing office building with 6 floors, 1 basement floor and 68,389 sqf of rentable area, in Redwood City, California. Redwood City is located in the Bay Area, which is between San Francisco and San Jose, and has the California commuter rail line 'Caltrain' that makes the area very easy to access to both.

② Located in priority development area

The property is in an area designated as a priority development area in the city plan and is only 8-minute away from its nearest Caltrain station. In addition, since the office area will not be expanded due to said plan, new construction projects that may become competitors will be suppressed, leading to stabilization of rents in the area. The Bay Area has a high concentration of IT industry, but there is also a large base hospital located next to the property, which can be expected to be used by pharmaceutical companies and medical offices.

③ Investment in completed office buildings

Investing in completed office buildings does not only eliminate construction risk, but it also secures returns by taking leasing risk. Despite being a short-term investment for a real estate debt investment, the Fund aims to achieve a final return of 8.5-9% after deducting its fund costs.

For both Fund 3 and Separate 3, the risk of principal loss is limited by keeping the loan-to-value (LTV, the ratio of loan amount to appraisal value (after completion of construction and stabilization) at 80% or less for loans subject to investment.

Since the launch of "Dream US Mezzanine Debt Fund" in March 2018, we have established and managed seven debt and preferred equity funds in the United States, including the fund introduced in this press release, as well as nine real estate development equity funds and open-end funds. DREAM will continue to

provide investors with opportunities to invest in a variety of domestic and overseas asset classes, while leveraging its track record in both equity and debt.

【Fund 3 Summary】

Name	DREAM US Mezzanine Debt Fund 3
Asset Type	Targeting only residential assets, logistics, and student housing (Includes both existing properties and construction projects)
Term	2 year investment period + 5 year management period with extension option
Investors	5 domestic institutional investors

【Separate 3 Summary】

Name	DREAM US Mezzanine Debt Separate Fund 3
Asset Type	Completed office in Redwood City, CA
Term	2 years in principle (with extension option)
Investors	Domestic institutional investor



【Diamond Realty Management Inc.】

- Head Office: 16-1, Hirakawacho 2-Chome, Chiyoda-ku, Tokyo, Japan
- Businesses: Real estate asset management business/advisory services
- Shareholder composition: Mitsubishi Corporation (100%)
- Representative: Ryuta Takeuchi, President and Chief Executive Officer
- Date of Establishment: 2004
- Number of Employees: 98 (as of September 30, 2022)

【For Comments or Inquiries on this Press Release】

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