Summary of Results Briefing for the Fiscal Period Ended June 30, 2021

Let us now begin the results briefing for the Japan Prime Realty Investment Corporation's 39th fiscal period ended June 2021.
My name is Yoshihiro Jozaki and I am the President and CEO of Tokyo Realty Investment Management, Inc., the asset management company.

First, I would like to take this opportunity to express my condolences to the friends and family members of those who have died due to COVID-19, and my heartfelt sympathies to all those who have suffered from this illness and their families.

Now, let me begin my presentation.

Please look at page 5.
This slide shows the summary of financial results for the 39th fiscal period ended June 2021 and operating forecasts.

Results for the 39th fiscal period were stronger than our initial forecast, mainly because of progress in the leasing of small spaces, although distributions decreased given the impact of large cancellations and the temporary reduction of rents for commercial tenants, which consist mainly of bars and restaurants, associated with the declaration of a state of emergency.

In the fiscal periods ending December 2021 and June 2022,
we expect a fall in distributions based on our assumption that an additional reduction of rents will be required for some commercial tenants, given the current situation of COVID-19, in addition to the time we are taking for leasing large spaces.

First, please look at the column highlighted in blue. This shows the results for the 39th fiscal period.

Operating revenue was 17,305 million yen, up 175 million yen from the previous period, operating income was 8,789 million yen, up 256 million yen, and net income was 8,120 million yen, up 280 million yen.

These figures include a 783 million yen gain on the sale of real estate because we sold the remaining equity interest in JPR Hakata Building in March 2021. The full amount of the gain on sale was internally reserved to stabilize future distributions, and distribution per unit came to 7,657 yen, a decrease of 93 yen from the previous period and an increase of 107 yen from the initial forecast.

Columns highlighted in red are forecasts for future periods.

Speaking about the fiscal period ending December 2021 and comparing it with the forecast we announced at the beginning of the period, we have forecast distribution per unit to be 7,550 yen as we announced previously, because we will use internal reserves to make up for a fall in income due to temporary factors, although net income is expected to decline as we are taking time to lease spaces, particularly large spaces, due to the prolonged impact of COVID-19, including the declaration of the fourth state of emergency, in addition to our newly incorporating the reduction of rents for commercial tenants.

For the fiscal period ending June 2022, financial results are expected to improve, given that the occupancy rate based on concluded contracts is expected to bottom out with the elimination of the temporary reduction of rents for commercial tenants and the progress of office leasing associated with the resumption of socioeconomic activities due to progress with vaccinations.
However, given that the impact of rent-free periods at the time of concluding contracts with new tenants is also anticipated to some extent, we plan to maintain distribution per unit at 7,550 yen by using internal reserves in this period as well.

I will provide a supplementary explanation on page 6.
On this page, I will explain the financial results for the 39th fiscal period and forecasts for the next two periods, using factors for changes in distributions.

In the 39th period, distribution per unit increased 107 yen from the initial forecast, to 7,657 yen.
Regarding the factors, the upward revision of rents and the full-period contribution of Otemachi Financial City, which we had acquired last year, were positive factors, but distribution per unit decreased 93 yen from the previous period mainly due to the impact of a large tenant moving out from Rise Arena Building and an increase in the temporary reduction of rents for commercial tenants.

With regard to the gain on sale of JPR Hakata Building, we have internally reserved the full amount, as planned.

For the fiscal period ending December 2021, we plan to pay out a distribution per unit of 7,550 yen, a decrease of 107 yen from the 39th period.
Despite positive factors such as the upward revision of rents, earnings per unit will decrease 391 yen, mainly due to the absence of cancellation penalty income and income equivalent to expenses for restoration, which were recorded in the previous period, in addition to a decline in rents caused by a fall in occupancy.
However, in response to a temporary fall in distributions due to delays in the leasing of large spaces, we will maintain a distribution per unit at 7,550 yen to stabilize distributions using internal reserves according to the plan we explained in the previous period.

For the fiscal period ending June 2022, we plan to pay out a distribution per unit of 7,550 yen, the same amount as in the previous period.
Earnings per unit are expected to increase 151 yen, given that rents are expected to turn upward in the fiscal period ending June 2022, because we will fill vacancies in Rise Arena Building by the end of this year and will seek to reduce repair expenses.

For this period, the distribution could deviate above the forecast due to progress in leasing and external growth, but if the distribution falls below 7,550 yen with the impact of rent-free periods and other factors, we will continue to use internal reserves to maintain it at 7,550 yen.

Now, please look at page 7.
From this page, I will explain changes in the operating environment and JPR's view on the future.
In the real estate rental market, a number of environmental changes are occurring, such as the stagnation of socioeconomic activities and the spread of remote work in the wake of COVID-19, as well as a large supply of office buildings from 2023. However, JPR believes that it is possible to achieve sustainable growth while continuing to minimize the impact of environmental changes, given that we have built a strong portfolio with moderate diversification centered on office buildings in Tokyo.

I will now explain these changes more specifically.

Now, take a look at page 8.
Let me first talk about the impact of COVID-19.
A major direct impact of COVID-19 is the temporary reduction of rents for commercial tenants who

are cooperating in the voluntary restraint on business associated with the declaration of a state of emergency, but office leasing is also affected by the prolonged COVID-19 pandemic. Therefore, I will provide an explanation including these factors.

The status of temporary rent reductions is shown in the upper left table.

Because most of the 39th fiscal period was subject to the declaration of a state of emergency or priority measures to prevent the spread of COVID-19, the period for rent reduction was extended. As a result, the total amount of temporary reduction increased 22 million yen from the initial forecast, to 67 million yen.

For the fiscal period ending December 2021, we also expect that the total amount of temporary reduction will be 68 million yen, almost the same as in the 39th fiscal period, given the current infection status.

The status of tenants moving in and moving out is shown in the upper right graph.

Spaces subject to tenants moving out in the 39th fiscal period were 18,000 m^2, which was larger than the roughly 10,000 m^2 seen in normal periods, due to movements for cost reduction and consolidation, in addition to cancellation of large tenants. The figure is expected to be 14,000 m^2 in the next fiscal period ending December 2021.

Moving in made steady progress in the small area zone of 200 tsubo or less, and we also progress with leasing to a certain extent in vacant spaces that had been cancelled by large tenants.

However, for the large area zone and high price range, company decision making has not made progress under the COVID-19 pandemic, and we are taking time to fill vacancies.

Nevertheless, we are recently seeing more cases of prospective tenants looking at moving, although we have not yet reached a final contract.

As shown in the lower right graph of the vaccination rate, socioeconomic activities are rapidly recovering in Europe and the United States with progress in vaccinations, and we expect that a similar trend will occur in Japan with a lag of several months.

Because it is expected that moves in anticipation of the post-COVID world will begin to appear ahead of time on the leasing scene, we will work to improve the occupancy rate by filling vacancies at an early stage while making good use of incentives such as rent-free periods.

Please look at page 9.

Here, I will explain the impact of remote work.

With the spread of COVID-19, the introduction of remote work has progressed rapidly.

The benefits of actually doing remote work, such as eliminating the burden of commuting and

improving work-life balance, are often discussed, but the decline in productivity and efficiency due to the lack of communication and collaboration inside and outside the company has also emerged as a critical issue.
JPR believes that although remote work will take root to a certain extent, it will not replace the office, but will coexist as part of the BCP for emergencies and diversification of work systems. We therefore think that even if the role and use of the office may be reconsidered, the office-centered working style will not change significantly.

Look at page 10.
Now, I will explain our outlook for the future office market and the impact of a large supply of office buildings in 2023.
As shown in the upper left graph of "Monthly vacancy rates in Tokyo CBDs," the vacancy rates, which had been rising rapidly, have now shifted to a slower pace of increase.
JPR expects that the stagnation of socioeconomic activities triggered by the spread of COVID-19 will disappear toward the end of the year along with the progress of vaccinations, and that the office market will bottom out in the January-March period of next year.
However, we continue to pay attention to the impact of the large supply of office buildings in 2023.
It will depend largely on the economic trends and corporate performance from next year, but we will pay close attention to the situation in the three central wards of Tokyo, especially Minato Ward, where new supply is concentrated, and the trends of S Class buildings that will directly compete with new buildings.

Look at page 11.
Here, let me explain the features of JPR's portfolio.
As shown in the upper left graph of "Ratio by grade/asset class," JPR's portfolio is moderately diversified in terms of both building grade and asset class, although it is centered on office buildings in Tokyo.
As stated in the lower left graph of "Ratio by rent zone," the rent level consists mainly of the high 10,000 yen range to the 20,000 yen range, where the volume of demand is high.
Looking at the upper right graph of "Ratio by area," you can see that the regional distribution is well-balanced in our portfolio because it has a certain percentage of properties in the suburbs and rural areas, which are less susceptible to remote work and future large supply, while focusing on the central Tokyo area.
You can also see that the percentage of Minato Ward, which will be the center of the large supply in 2023, is remarkably low at 4.6%.
The lower right graph shows the distance from the nearest station, and more than 70% of properties

are located within a three-minute walk. If properties located within a five-minute walk are included, more than 90% of the portfolio properties will be included.
As just described, JPR has a strong portfolio that is moderately diversified and less susceptible to market fluctuations, centered on well-located office buildings in Tokyo.
Combined with the high level of operation and management capabilities we have developed over the years, we aim to achieve sustainable growth by appropriately using both offensive and defensive measures depending on the situation.

Look at page 12.
Based on the business environment and other factors I have explained above, I will now talk about JPR's growth strategies.
I will provide my explanation with the main focus on our future initiatives on the right side.
For internal growth, we will quickly fill vacancies through our leasing activities with an awareness of maintaining and improving occupancy rates.
We do not need to unnecessarily lower the asking rent, but will appropriately control revenues while reducing downtime by flexibly responding to tenant needs using incentives such as rent-free periods and dividing rental rooms into smaller spaces.

External growth will be the key driver of our future growth strategy.
As we continue to be able to expect property contributions from our main sponsor, Tokyo Tatemono, we will actively promote the acquisition of prime office buildings by taking advantage of our low LTV while firmly maintaining our stance of making carefully selected investments as in the past.

However, given that some of the properties we own are over 30 years old, we will improve the quality of our portfolio by replacing assets at the same time.
We will also work to realize unrealized gains while paying close attention to the impact on revenues during the period, because the for-sale property market continues to be strong.

With regard to retail properties and hotels, we will postpone acquisitions for the time being, given significant changes in our assumptions in terms of the stability of revenues and other factors, although a recovery after COVID-19 is expected.

As for our financial strategy, we will continue to maintain a state that allows for the acquisition of properties in a flexible manner by seeking to exercise conservative LTV control and reducing financial costs, with a further diversification in our fund procurement sources.

The fourth pillar of our growth strategy is our commitment to sustainability.
Social issues in the areas of E, S and G are medium- to long-term risk factors in our business, and we believe that addressing and improving them appropriately will lead to the enhancement of unitholder value.
We will achieve sustainable growth by accelerating our efforts for sustainability and engaging in dialogues with investors, tenants and other stakeholders.

Look at page 13.
This slide shows our outlook and view on distributions.
As I said at the results briefing for the previous period, we will use internal reserves to stabilize distributions if distributions decline due to temporary factors.
In the fiscal period ending December 2021 and the fiscal period ending June 2022, earnings per unit are expected to decline due to the temporary reduction of rents, large cancellations and delays in leasing caused by the impact of COVID-19, but we are maintaining our policy of securing distribution per unit of 7,550 yen, which we see as the level under normal operations, by using some of our internal reserves.

Internal reserves as of the end of June 2021 stood at 1,880 million yen as a result of a series of asset replacements since last year.
Although we expect that rental income will recover from the fiscal period ending June 2022, we aim to quickly achieve distribution per unit of 7,800 yen, our medium-term target, by steadily implementing the growth strategies I mentioned earlier.

Please look at page 15.
From here, I will explain the operational status.
First, I will discuss the occupancy status. Please look at the graph, "Occupancy rate and move-ins/move-outs," in the upper left. Despite large cancellations in the 39th fiscal period, we were able to maintain high occupancy as a result of filling more than half of the cancellations, and the average occupancy rate based on concluded contracts was 98.2%.
In the fiscal period ending December 2021, the occupancy rate based on concluded contracts is expected to fall to 96.8% due to the impact of delays in the leasing of spaces, particularly large ones.
As corporate activities are expected to pick up in the future with progress in vaccinations, we will work to fill vacancies, particularly in the properties listed on the next page, by focusing on leasing with a commitment to achieving early occupancy.
Please look at the graph, "Average rent-free period," at the lower right. Although the rent-free period was extended slightly to 2.4 months in the 39th fiscal period, it has been unusually short over the past

few years, and we think that it is usual to consider around three months as a rent-free period under ordinary circumstances.
Particularly when filling a vacancy in a large space, we will make good use of incentives such as a rent-free period to achieve early occupancy.

Look at page 16.
I will explain properties where we are taking steps to particularly strengthen leasing.

In Rise Arena Building, after a tenant who had leased the whole building moved out at the end of January 2021, we had filled more than half of the vacancies by June 2021, but our leasing activities have temporarily stopped due to the prolonged impact of COVID-19. As a result, some potential tenants are thinking about not moving in or are slow in their consideration of leasing.
However, given that there has been a gradual increase recently of the number of companies thinking about leasing, we will focus on leasing activities as the most important issue, with the aim of completing leasing by the end of the year.

In Tokyo Square Garden ay right, a tenant leasing 2.5 floors cancelled the contract from March to the end of May 2021, and the vacancies on three fourths of the floors have been filled. This is a property in the high unit price range, a segment that is said to be relatively slow with leasing at present, but we will proceed by effectively emphasizing its superiority in consultation with Tokyo Tatemono, the master lessee.
Because JPR's equity interest in this property is about 8%, the impact on our business performance is limited.

Shinjuku Square Tower on the left of the middle row is currently fully occupied, but contracts for three floors are scheduled to be cancelled in January 2022. Although this property is somewhat distant from the nearest station, we are proceeding with leasing activities by emphasizing its scale, grade and relatively reasonable rent setting.

Olinas Tower on the right of the middle row is also fully occupied at present, but a tenant leasing three floors is scheduled to move out in March 2022. The tenant company that is currently occupying the floors had a strong desire to expand office space in Olinas Tower to accommodate business growth, but unfortunately it was unable to secure space in the building and decided to move out. This building is regarded as one of the best in the Joto area, and we receive many inquiries from prospective tenants. Therefore, we will work hard to fill the vacancies as soon as possible.

In Kawasaki Dice Building, Tokyu Hands, which had occupied the fifth floor since the opening of the building, moved out at the end of February 2021, but TSUTAYA took up occupancy on the floor in June and recently started business.
Because it is a new style store with a share lounge in addition to a bookstore with sundries and a rental shop, we hope that it will contribute to increasing the ability to attract customers to the entire facility as a new face of Kawasaki Dice Building.

In JPR Harajuku Building, although tenants moved out of one office floor and one store space on the first floor at the end of January 2021, the store vacancy has already been filled with a fashion brand from the neighborhood to improve the location, and a contract has also been concluded for the office space to fill that vacancy.

Now, please look at page 17.
For rent revisions, look at the upper left graph of "Monthly rent revision increase/decrease." Regarding rent revisions in the 39th fiscal period, we had assumed an upward revision of about 14.4 million yen, but we succeeded in increasing rents by 16.6 million yen on a net basis, including a 16.1 million yen increase due to upward revisions and a 6.6 million yen increase as a result of replacements, while responding to a 6.1 million yen reduction due to replacements and retention.
The rate of upward revision was 4.4%.
Next, look at the upper right graph of "Rate of increase/decrease on rent revision/tenant replacement." In the breakdown of rent revisions of tenants subject to renewal in the 39th fiscal period, slightly less than 30% of the tenants have accepted the upward revision even under the current situation.
Most other tenants have also renewed their contract with the rent unchanged.

However, given that the supply-demand balance has loosened over the past year or so and that market rents have returned to the level of two to three years ago, the rent has been reduced in some cases at the time of renewal and replacement, depending on when tenants move in, although the number of these cases is still small.
Under the current situation, we are required to take appropriate actions based on our assessment of the market, but we will work to maximize revenues by flexibly using both offensive and defensive measures, including continued negotiations with counterparties with a negative rent gap to increase the rent.

Now, take a look at page 18.
I will explain retail properties.
Look at the upper right graph of "Average occupancy rate." Several bars and restaurants moved out

due to the impact of COVID-19, but the occupancy rate remained high at 99.3% in retail properties as a whole in the 39th fiscal period because we completed filling vacancies in Kawasaki Dice Building, where Tokyu Hands had moved out, as planned.
With repeated declarations of a state of emergency, we, as owners, have been providing some support, especially to bar and restaurant tenants, but its impact on our business performance is limited because the ratio of bars and restaurants to commercial tenants is small at about 3%, as shown in the "Tenant sectors" in the lower right graph of "Status of lease contract."

Look at page 19.
I will explain our external growth strategy.
This page summarizes the properties we have recently acquired. We have acquired properties in a balanced fashion with a focus on offices in Tokyo using the sponsor pipeline in the past few years, and we believe that we have also succeeded in replacing assets to improve the quality of our portfolio.
For the last two years or so, JPR has been able to consistently acquire properties partly because Tokyo Tatemono has been selling properties it owned in a planned manner.
It seems that we can continue to count on property contributions from Tokyo Tatemono given its medium-term plan. Therefore, we will work to raise the DPU level through steady external growth.
We also intend to consider asset replacement in parallel, aiming to improve the quality of our portfolio and realize unrealized gains.

Please take a look at page 20.
I will explain the Tokyo Tatemono pipeline, which is the main sponsor.
As shown in the table in the middle of the left side, the Tokyo Tatemono pipeline consists mainly of two kinds of properties: properties reclassified as real estate for sale from noncurrent assets for long-term ownership, and properties for sale developed as property for investors.
Among these, properties reclassified from noncurrent assets for the last two years include JPR Kojimachi Building, JPR Shinsaibashi West and Otemachi Financial City, and they constitute the main pipeline.
Given that Tokyo Tatemono seems to have a policy of reclassifying noncurrent assets into real estate for sale when appropriate in the process of reviewing its portfolio, we think that we can continue to count on asset acquisition from them.

Please take a look at page 21.
In terms of finances, we continue to manage them conservatively .

Look at "Debt procurement results in the 39th fiscal period" in the upper left.

The average maturity is 9.7 years, and the average debt interest rate is 0.59%. This suggests that we have succeeded in satisfying both the prolonging of repayment dates and the reduction of debt costs.
Look at the change in LTV in the lower right.
LTV after the recent asset replacement is 40.6%, and the debt acquisition capacity calculated based on an LTV of 45% is 38.9 billion yen. As stated in the margin of the upper right graph, free cash flow is also ample.
In addition, given that the price of investment units has been bouncing back, we intend to consider raising equity through public offerings when acquiring properties above a certain scale.

Please turn to page 23.
Lastly, I will explain our initiatives for sustainability. For more information, please refer to page 42 and subsequent pages.

In recent years, Japan and the rest of the world have been experiencing increasingly extreme weather and disasters, and JPR has positioned its sustainability initiatives as a top priority issue and is actively pursuing them.
JPR reviewed materiality last year and set targets for 2030.
For the environment, we have set a target of reducing CO_2 emissions by 30% compared to the level in 2017, and reduced them 18.8% in 2020. We are accelerating our efforts with a view to achieving the target ahead of schedule.
In addition, as stated on the right, JPR and TRIM are actively committed to multiple initiatives and expressed their support for the TCFD in May 2021 after conducting a risk analysis on climate change.
We have received high praise from external evaluation organizations for our unflagging commitment to these initiatives and acquired the “5 Stars” ranking, the highest in the GRESB Real Estate Assessment, for the second consecutive year. We also achieved inclusion in the MSCI Japan ESG Select Leaders Index of MSCI Inc. in May 2021.

As we announced yesterday, we have set a new goal of "Net zero CO_2 emissions in 2050."

That concludes my presentation.

Currently, the impact of COVID-19 has been longer than expected, but we will continue to aim to quickly achieve our medium-term target of 7,800 yen in distributions by improving occupancy rates through enhanced leasing and through external growth by using the sponsor pipeline, while underpinning the decrease in distributions due to temporary factors by using internal reserves.

We hope that we can count on your continued support in the future.