Script of Results Briefing for the Fiscal Period Ended June 30, 2023

My name is Yoshihiro Jozaki and I am the President and CEO of Tokyo Realty Investment Management, Inc.
Thank you for attending today's results briefing for the Japan Prime Realty Investment Corporation's 43rd fiscal period ended June 2023.
Let me now move on to my presentation.

First, please turn to page 5.
This shows financial results for the June 2023 fiscal period and operating forecasts for the next two fiscal periods.

Financial results for the June 2023 fiscal period were operating revenue of 18,173 million yen, operating income of 8,859 million yen, and net income of 8,098 million yen, with distribution per unit of 7,600 yen, as previously forecast.

For the December 2023 period, we forecast operating revenue of 17,396 million yen and net income of 7,259 million yen. Our forecast for distribution per unit is unchanged from the previous forecast at 7,600 yen, reflecting the utilization of retained earnings, despite the absence of gain on transfer of property recorded in the previous period.
For the June 2024 fiscal period, we project operating revenue of 17,278 million yen and net income of 7,279 million yen and we plan to pay a distribution per unit of 7,600 yen, the same amount as in the previous period.

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Here, I will explain the financial results for the June 2023 fiscal period and forecasts for the next two periods, using factors for changes in distributions per unit.

Generally speaking, progress is being made with leasing activities, especially at properties requiring priority action, and rental revenue continues to increase. As a result, adjusted EPU, which is distribution excluding capital gains, is expected to recover steadily after hitting bottom in the June 2023 fiscal period.

In the June 2023 fiscal period, an increase in rental revenue due to progress with leasing

activities was offset by factors such as a decrease in income equivalent to expense for restoration to original condition and an increase in fixed property tax, and adjusted EPU was 7,269 yen while DPU was 7,600 yen due to the recording of a gain on transfer of property.
We held part of the gain on transfer of property in reserve as retained earnings to stabilize future distributions.
Adjusted EPU showed an improvement of 99 yen compared with our initial forecast, mainly due to improvement in net utilities expenses and an increase in rental revenue.

For the December 2023 period, we forecast adjusted EPU of 7,280 yen, an increase of 11 yen from the previous period, mainly due to an increase in rental revenue and the effect of asset replacement, and we expect to ensure the minimum DPU of 7,600 yen by utilizing retained earnings.

For the June 2024 period, we expect the impacts of the absence of income equivalent to expense for restoration to original condition recorded the previous period and the increase in fixed property tax arising from revaluation to be offset by an increase in rental revenue driven by continued recovery in occupancy and we forecast adjusted EPU of 7,300 yen, an increase of 20 yen from the previous period, and we expect to ensure the minimum DPU of 7,600 yen by utilizing retained earnings.

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I would now like to explain stronger sponsorship by Tokyo Tatemono.
As a result of JPR's asset manager becoming a wholly owned subsidiary of Tokyo Tatemono in April this year, Tokyo Tatemono is now JPR's sole sponsor.
Tokyo Tatemono has set strengthening the fund business as a goal under its current Medium-Term Business Plan and Long-Term Vision. JPR will use this development as an opportunity to further strengthen its cooperation with Tokyo Tatemono, with the aim of increasing opportunities to acquire properties and improving unitholder value through growth in distributions and NAV.

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I will now discuss our DPU strategy.
JPR has set an immediate target for adjusted EPU of 7,600 yen and aims for early

achievement of this target through recovery of occupancy and external growth. In the meantime, we will use our abundant retained earnings to ensure a stable level of distributions, with 7,600 yen as the minimum distribution.

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This page explains our perception of the market environment.
In the Tokyo office market, there is concern over the impact of concentrated supply of large-scale office buildings; however, demand has recovered to some extent and, as a result, the vacancy rate shows a tendency to remain mostly flat.
There will be a pause in new supply from the second half of this year through to next year but bi-polarization of the market based on location and spec is likely to increase.

The property sales market still seems overheated, with demand among investors remaining strong.
JPR's policy of focusing on acquiring office buildings in Tokyo through sponsor pipelines remains unchanged; however, we will also consider acquiring well-located properties in major regional cities as well as urban commercial facilities including hotels, based on an assessment of the conditions of individual properties.

As for the financing environment, long-term interest rates have risen as a result of monetary policies in Europe and the United States and the BOJ's tweaking of its yield curve control. However, we believe that the short-term impact of this will be negligible thanks to JPR's longstanding efforts to lengthen maturities and diversify repayment dates.

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Here, let me explain the features of JPR's portfolio.
JPR has built a diversified, robust portfolio, with a focus on excellently located office buildings in Tokyo.
In 2023 and 2025, there will be an increase in supply of S-Class office buildings mainly in central Tokyo; however, with S-Class office buildings making up 7.3% of JPR's portfolio and properties in the rent zones between 15,000 yen and less than 30,000 yen, which are in highest demand, accounting for 73.5% of the portfolio, and with geographical diversification also playing a part, JPR's portfolio is unlikely to be directly impacted by the new supply.
In addition, over 70% of portfolio properties are located within a 3-minute walk of the nearest

station, allowing JPR to tap into demand for better located office space.

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No individual property accounts for more than 10% of total portfolio investment and our portfolio mostly consists of properties in which our investment ratio is 3% or less. What is more, through tenant replacement, the number of office tenants with occupancy of 1% or more has been reduced to only one.
Our low concentration risk i.e. dependence on a specific building or a large tenant is also one of the factors that enables us to maintain stable occupancy.

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From here, I will explain the operational status.
First, I will discuss the occupancy status.
The occupancy rate based on concluded contracts has recovered steadily after hitting bottom in the December 2022 period, and was 97.6% in the June 2023 period and is expected to improve to 98.3% in the December 2023 period. The occupancy rate based on generated rents is also in a recovery trend and, in line with expectations, has continued to recover steadily after hitting bottom in the June 2022 period.

As for the status of move-ins and move-outs, as shown in the chart in the bottom right corner, the area of move-outs which increased during the COVID crisis has mostly decreased to pre-COVID levels and, recently, the area of move-ins exceeds the area of move-outs.
The occupancy rate continues to be much higher than the market average and is also at a relatively high level compared with other J-REITs; however, we intend to strive for further improvement by quickly filling vacancies at properties for which leasing activities are being stepped up.

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I will now explain the rent situation.
As shown in the chart in the top left hand corner, the extent of downward rent revision has not changed significantly over the past few periods and yet there has been a net decrease in rent due to less frequent upward revision both for existing tenants and on tenant replacement.

However, rent was revised downward for only seven out of a total of 182 contracts and we continued to succeed in renewing most contracts without any change in rent.
The gap in rents is +1.3% and we intend to approach rent revision negotiations with tenants based on a careful assessment of individual circumstances
The average free rent period in the period under review increased due to the granting of a longer free rent period for long-term lease contracts.

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I will now explain leasing activities for properties requiring priority action.

Progress was made on leasing activities for all of the three properties identified as properties requiring priority action in the preceding period and MS Shibaura Bldg. was newly added to the list in the period under review.
Two tenants will move out of MS Shibaura Bldg. at the end of December and the end of March next year respectively and the occupancy rate is expected to fall to 66.1%.
Since the building has aged somewhat, we will spend several months after the tenants moving out installing LED lighting and improving air conditioning and common areas to maintain and increase the building’s competitiveness. In addition, we will stress the building’s location characteristics, for example, that it is an 8-minute walk from Tamachi Station on the Yamanote Line, and its other advantages such as a standard floor size of 600 tsubo, and we will seek to fill the vacant space quickly through flexible leasing activities based on an assessment of recent market conditions.

Over the past six months, progress was made on leasing activities for all three properties identified in the previous period as properties for which leasing activities are being stepped up, namely Olinas Tower, Shinjuku Square Tower and JPR Harajuku Bldg.
At JPR Harajuku Bldg., we quickly filled four out of the five vacant floors and have our sights set on finding a tenant for the one remaining floor.

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I will explain retail properties.

JPR’s retail properties are favorably located in very busy areas and most contracts with tenants are long-term contracts with fixed rents. We have also maintained occupancy at the

high level of 99.5% and retail properties are positioned as important assets which help stabilize the portfolio.
As shown in the chart in the top right hand corner, the sales of commercial tenants which were affected by COVID-19 have also been recovering steadily recently and especially at FUNDES Suidoubashi and FUNDES Ueno, which consist mainly of bars & restaurants, sales are now above pre-COVID levels.

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I will now explain our external growth strategy.
The current Medium-Term Business Plan of Tokyo Tatemono, our sponsor, sets out the intention to strengthen fund business and expand the sale of properties to investors.
Over the past few years, JPR's assets have grown at an increasingly fast pace thanks to sponsor support. In actual fact, since 2020, we have made acquisitions of 84.5 billion yen and the net increase in assets after subtraction of transfers is 57.5 billion yen, far exceeding growth prior to 2020. We are committed to further strengthening cooperation with Tokyo Tatemono now that it has become our sole sponsor.

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This page shows the results of recent acquisitions and asset replacement. JPR focuses on acquiring office buildings in Tokyo, taking full advantage of the sponsor pipeline and also continuously replaces assets with the aim of improving portfolio quality.
Property transfers are carried out on the assumption of asset replacement, in principle, and we select properties based upon consideration of individual circumstances including building age and future profitability.

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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 developed or acquired in the assumption of sale.
JPR has acquired from among the properties reclassified from noncurrent assets flagship properties such as Otemachi Financial City North Tower and Grand Front Osaka, and from among the properties developed on the assumption of sale, we have acquired properties such as the FUNDES series.

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I will now explain our financial strategy.
During the June 2023 fiscal period, we procured funding of 7.0 billion yen in total, with an average maturity of 5.6 years.
LTV has been kept at the low level of 40.3% and debt acquisition capacity calculated based on a maximum LTV of 45% is approximately 44.0 billion yen.

Since last year, domestic interest rates have been rising and movements in interest rates following the revision of yield curve control are also attracting attention; however, the impact will be negligible in the short term thanks to JPR's longstanding efforts to lengthen maturities and diversify repayment dates in addition to JPR's conservative LTV control.
We are also implementing initiatives such as the use of medium-term maturities taking the diversification of repayment dates into consideration from the viewpoint of controlling debt costs.

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Lastly, I will explain our initiatives for sustainability.

In recent years, calls for sustainability initiatives have grown stronger and stronger. JPR and TRIM were among the first in the industry to launch initiatives and have become even more proactive over the past few years.
Consequently, our sustainability initiatives have been highly rated in external assessments such as the GRSEB and MSCI assessments.

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Regarding the reduction of GHG emissions, we formulated a plan setting net zero as our 2050 goal and a 2030 interim target of reducing GHG emissions by 46.2% compared with 2019, and we became the third J-REIT to obtain SBT target validation in April this year.
These are by no means easy targets to achieve but we will focus on achieving them through a combination of measures.

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JPR plans to partially change its asset management fee structure in light of changes in the environment surrounding the real estate market and other factors.
We will introduce a fee structure linked to sustainability indicators such as GHG emissions as part of Management fee 1 and will seek to increase the connection between fees and returns for investors, including making Management fee 5 a success fee based on gain on sale of property.

That concludes my presentation.

This year, there is concern over the impact of increased supply of S-Class buildings mainly in central Tokyo; however, JPR is achieving steady recovery in the occupancy rate through progress with leasing activities mainly at properties requiring priority action.
JPR intends to enhance unitholder value through a combination of internal growth achieved by continuing to deal appropriately with various issues and further improving the occupancy rate and external growth achieved through utilization of the pipeline of Tokyo Tatemono, which is JPR’s sponsor, and through stable distributions achieved through the utilization of retained earnings.
We look forward to your continued support.