Script of Results Briefing for the 44th Fiscal Period Ended December 31, 2023

Thank you for taking time out of your busy schedules to attend today's results briefing for the Japan Prime Realty Investment Corporation's 44th fiscal period ended December 2023.
This is the first time we have held an in-person briefing for four years.

Let me get straight down to my presentation.
First, please turn to page 5.

I will begin by giving a summary of the financial results.

To start, adjusted EPU for the December 2023 fiscal period was 7,377 yen, increasing 108 yen from the previous fiscal period and exceeding the forecast by 97 yen, because we were quick to tap into the recovery in office market conditions and made progress with leasing.

Further, with the acquisition of Nakano Central Park East, which is a property developed by Tokyo Tatemono, in March this year, asset size will increase by 28.8 billion yen, to 525.8 billion yen.

Boosted by the Nakano acquisition, adjusted EPU is expected to increase for three consecutive fiscal periods, with forecasts of 7,500 yen and 7,520 yen for the June 2024 and December 2024 fiscal periods respectively, and achievement of the immediate adjusted EPU target of 7,600 yen is now within sight.

Finally, turning to sustainability initiatives, JPR's score in the 2023 CDP Assessment was upgraded to highest possible score, an A.

Please move on to page 6.

This shows financial results for the December 2023 fiscal period and operating forecasts for the next two fiscal periods.

In our financial results for the December 2023 fiscal period, operating revenue was 17,411 million yen, operating income was 8,151 million yen, and net income was 7,356 million yen. Although net income fell in the absence of gain on sale of property, distribution per unit was set at 7,600 yen in line with the initial forecast through the utilization of retained earnings.

For the June 2024 period, we forecast operating revenue of 17,695 million yen and net income of 7,479 million yen, while for the December 2024 period, we forecast operating revenue of 17,916 million yen and net income of 7,499 million yen.

I will explain in more detail with reference to Fluctuation in Distribution per Unit on the next page.
Please move on to page 7.

Given the acquisition of Nakano Central Park East in addition to progress with leasing generally, adjusted EPU, which is distribution excluding capital gains, is expected to increase for three consecutive periods after hitting bottom in the June 2023 fiscal period.

In the December 2023 period, adjusted EPU was 7,377 yen, increasing 108 yen from the previous fiscal period and exceeding the forecast by 97 yen, due to an increase in income equivalent to expense for restoration to original condition and improvement in utilities expenses in addition to higher rental income due to progress with leasing. We ensured the minimum DPU of 7,600 yen by utilizing retained earnings.

For the June 2024 period, we forecast adjusted EPU of 7,500 yen, an increase of 123 yen from the previous period, largely thanks to the effect of the Nakano acquisition, despite decreases in other areas such as income equivalent to expense for restoration to original condition, and we expect to ensure DPU of 7,600 yen through the utilization of retained earnings.

For the December 2024 period, we anticipate an increase in rental income due to the elimination of rent-free periods and a full-year boost from the Nakano acquisition and forecast adjusted EPU of 7,520 yen, an increase of 20 yen from the previous period. We also expect to ensure the minimum DPU of 7,600 yen, as in the previous period.

Please move on to page 10.

I will now discuss our DPU strategy.
JPR has set an immediate target for adjusted EPU of 7,600 yen, and as explained earlier, its achievement is now within sight. While continuing to ensure the minimum DPU of 7,600 yen by utilizing our abundant retained earnings, we will aim for early achievement of the immediate target of 7,600 yen and the medium-term target of 7,800 yen, with external growth achieved through utilization of the sponsor pipeline as the main driver.

Please move on to page 11.

This page explains our perception of the market environment.
In the Tokyo office market, the recovery in demand is now much clearer, and the vacancy rate has been improving continuously since July last year. Rents are also showing signs of hitting bottom recently.

The property sales market remains firm, and opportunities to acquire properties on the open market are still limited.
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.

As for the financial environment, while the BOJ is looking to exit its monetary easing policy, further interest rate cuts in Europe and the US are expected, and the outlook remains uncertain. JPR is working to achieve sound finances and reduce costs by using medium maturities, taking the diversification of repayment dates into consideration.

Please move on to page 12.

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.
There will be continued supply of S-Class office buildings mainly in central Tokyo; however,

with S-Class office buildings making up 6.9% of JPR's portfolio and properties in the rent zones between mid-10,000 yen level and 20,000 yen level per tsubo, which are in highest demand, accounting for 75.6% 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, about 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 diversification over recent years, the category of office tenants with occupancy of 1% or more no longer applies.
Our low concentration risk i.e. dependence on a specific building or a large tenant is one of the factors that enables us to maintain stable occupancy.

Please move on to page 14.

From here, I will explain the operational status.
First, I will discuss the occupancy status.
The occupancy rate based on concluded contracts improved to 98.4% in the December 2023 period due to progress with leasing.
We are increasingly hearing talk of office expansion and there is now a real sense that corporate activities and the return to the office are moving up a gear.
In the June 2024 period, we expect the occupancy rate to drop to 97.7% due to tenant moveouts at MS Shibaura Bldg.; however, there is already the prospect of filling up some of the vacant space and the impact will be limited.

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 MS Shibaura Bldg.

Please move onto page 15.

I will now explain the rent situation.
As shown in the graph in the top left corner headed Monthly Rent Revision Increase/ Decrease, there has been a net decrease for consecutive periods; however, the June 2024 period is expected to see the first net increase for four periods, partly thanks to rent revision at Otemachi.

Looking at the ratio of increase/decrease on rent revision with existing tenants, in most cases, we are still managing to renew contracts with no change in rent, and the ratio of upward rent revision on tenant replacement has also improved from before.
The gap in rents has improved to +0.7%, reflecting a rise in market rent in Shibuya and Shinjuku and some suburban areas, and we intend to adjust our approach to rent revision negotiations with tenants according to individual circumstances.

The average free rent period excluding the impact of the granting of a longer free rent period to tenants with very long-term lease contracts was 3.4 months, which is the same level as before.

Please move on to page 16.

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

Further progress was made on filling vacant office space at Olinas Tower, Shinjuku Square Tower and JPR Harajuku Bldg., which were identified as properties for which leasing activities are being stepped up in the previous period, with leasing now mostly completed.

At MS Shibaura Bldg., 5 floors (approx. 3,000 tsubo) will be left vacant due to the move-out of multiple tenants; however, 2 floors (approx. 1,200 tsubo) have already been filled, and the remaining floors are under consideration by several companies.
After the tenants move out, we intend to fill the space quickly by maintaining and increasing competitiveness through improving air conditioning and carrying out other value enhancing renovation and also by stressing the property’s advantages, including that it is within walking distance of Tamachi Station on the Yamanote Line and its standard floor area of

approximately 600 tsubo.

Please move on to page 17.

I will explain retail properties.

JPR's retail properties are all favorably located in very busy areas. Occupancy is 99.6%, remaining at a high level.
As shown in the chart in the top right hand corner, the sales of 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 have increased to well above pre-COVID levels.

Next, I would like to tell you about our newly acquired properties.
Look at page 18.

Nakano Central Park East is an office building developed by Tokyo Tatemono together with Nakano Central Park South as an integrated urban space, and thanks to the provision of information by Tokyo Tatemono, we will acquire an ownership interest of 53.0% in the property in March.
The property is near Nakano Station and the office space, which looks out on a huge expanse of open greenery through integration with neighboring Nakano Shiki no Mori Park has also been highly commended from the viewpoint of wellbeing.
Meanwhile, the building boasts high performance from a BCP perspective thanks to its earthquake resistant structure in addition to a large standard floor of approximately 850 tsubo and high environmental performance.
As also stated on page 19, multiple large-scale development projects are underway in the Nakano Station area, which is expected to become more competitive as an office district. In 2026, Nakano Station's new ticket gate will be completed and the property will then be a 3-minute walk from the station via the new pedestrian deck due to be constructed at the new North Exit.
In view of recent J-REIT market conditions and other factors, we will use borrowing and some of our own funds to fund this acquisition.

Please move on to page 20.

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. Since 2020, we have made acquisitions totaling 113.3 billion yen and the net increase in assets after subtraction of transfers is 86.3 billion yen, far exceeding growth prior to 2020.
Given that we still have an extensive pipeline, we intend to achieve continuous external growth.

Please move on to page 21.

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 building age, future profitability and other factors.

Please move on to page 22.

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.
Its pipeline also includes T-PLUS medium-sized offices, urban compact retail properties and hotels, and we intend to continue discussions with Tokyo Tatemono in order to achieve continue growth.

Please move on to page 23.

I will now explain our financial strategy.
During the December 2023 fiscal period, we procured funding of 18.5 billion yen in total, with an average maturity of 6.7 years.
While we used leverage to acquire Nakano, we maintained control over LTV, which remained at the appropriate level of 43.0%, and debt acquisition capacity calculated based on a maximum LTV of 45% is approximately 19.0 billion yen.
By also utilizing the sales proceeds arising from asset replacement, we will pursue external growth through property acquisitions giving due consideration to soundness.

The interest rate outlook remains uncertain; however, the impact will be limited in the short term thanks to JPR's longstanding efforts to lengthen maturities and diversify repayment dates.
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.

Please move on to page 26.

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 CDP assessments.
We also recently received the Good Action Award, Governance Category, in the ARES ESG AWARD 2023, which is an award program established by the Association for Real Estate Securitization to promote ESG initiatives of J-REITs.
Going forward, we will continue to pursue comprehensive initiatives covering environmental, social and governance topics.

This brings me to the end of my presentation but, as announced in the press release last weekend, the Asset Management Company will change its trade name to Tokyo Tatemono Realty Investment Management, Inc. in April this year as part of efforts to strengthen the Tokyo Tatemono Group's fund business.

We will seek sustainable improvement in unitholder value by further strengthening our cooperation with Tokyo Tatemono and continuing to respond appropriately and flexibly to the various challenges we face.

We look forward to your continued support.