

June 2024 (45th) Period Analyst Meeting

[Date: Monday, August 19, 2024]

[Q&A Session Summary]

- Q. Am I correct in understanding that the new distribution strategy is predicated on the growth of EPU? Also, what is the internal growth to external growth ratio that you are expecting?
- A. Presently, we are moving forward with negotiations to increase rents for a broad range of properties. Basically, we intend to facilitate the growth of DPU while also increasing EPU steadily through internal growth.
- In terms of the breakdown of EPU growth, we expect internal growth to external growth ratio to be approximately 50:50. In addition to that, we will seek to realize the targeted growth of distributions (DPU) by utilizing capital gains.
- Q. How long do you anticipate the distribution will continue to grow by about 2% per year?
- A. We assume that it will continue for around five years. Depending on how the market improves, we think that growth rates may be higher.
- Q. Looking at the operating results forecast, there is a gap between DPU and EPU. What is your direction going forward?
- A. Taking advantage of the favorable trading market conditions, we intend to accelerate asset replacement, and, as we have considerable unrealized gains, we will continue to return the gains on asset transfer and other gains to unitholders. Our plan is to increase EPU steadily, and a portion of the capital gains will be added to this.
- Q. You are expecting adjusted EPU (*1) to be 7,520 yen for the December 2024 and June 2025 fiscal periods. Having said that, is it possible to achieve the adjusted EPU target of 7,600 yen just by filling the vacancies at the MS Shibaura Building?
- A. Steady progress is being made in the leasing of the floors of the MS Shibaura Building. However, due to free rent continuing to impact the results for the December 2024 and the June 2025 fiscal periods, the property will start contributing to profitability on a full fiscal period basis from the December 2025 fiscal period. If

the property starts to contribute fully, the 7,600 yen adjusted EPU is achievable.

Q. What types of business are considering leasing floors of the MS Shibaura Building, and what rent levels are these tenants considering?

A. The tenants moving in operate various types of business. Having said that, with many plans underway rebuilding the buildings in the surrounding area due to redevelopment and other projects, we have successfully captured demand for relocation from those buildings in that area.

Rents have slightly decreased from the level before the replacement. However, the rents being paid by new tenants are generally at the market level.

Q. While accelerating the replacement of assets, what kind of properties will be chosen as properties for sale? Are there any criteria other than the age of the property?

A. We make a comprehensive decision focused mainly on profitability while taking location conditions, future repair and maintenance costs, CAPEX, etc. into account, in addition to the age of the property. Since our unrealized gains are considerable, we will make policy decisions with an eye on the profit plan.

Q. What is the source of the funds for repurchasing treasury investment units and the criteria for considering their purchase?

A. We assume that the source of the funds would be funds from sales and free cash. We will consider repurchasing treasury investment units, mainly considering investment unit prices and the status of the sale and purchase of properties.

*1 "Adjusted EPU" is the amount of net income per unit less gains or losses on sales, etc.