# Script of Results Briefing for the 45th Fiscal Period Ended June 30, 2024

My name is Yoshihiro Jozaki and I am the President and CEO of Tokyo Tatemono Realty Investment Management, Inc.
Thank you for taking time out of your busy schedules to attend today's results briefing for the Japan Prime Realty Investment Corporation's 45th fiscal period ended June 2024.

Let me get straight down to my presentation.
First, please turn to page 4.

Adjusted EPU for the June 2024 fiscal period was 7,551 yen, increasing 174 yen from the previous fiscal period and exceeding the forecast by 51 yen, boosted by the acquisition of Nakano Central Park East. We forecast adjusted EPU of 7,520 yen for the December 2024 fiscal period as well as for the June 2025 fiscal period. JPR still aims to achieve the currently targeted adjusted EPU of 7,600 yen in the June 2025 fiscal period mainly through future external growth.

Points 2, 3 and 4 are key messages related to JPR's future growth strategies.
Looking first at internal growth strategy.
Leveraging its portfolio of high-spec properties in prime locations, JPR will react swiftly to improvement in the market environment to drive internal growth by rent increase.

The third point concerns asset replacement.
JPR will accelerate strategic asset replacement to enhance the quality of the portfolio and generate capital gains against the backdrop of the active trading market.

The fourth point concerns distribution strategy.
Previously, JPR's distribution strategy focused on stability with a 7,600 yen floor-setting; however, JPR has now shifted to a strategy focusing on DPU growth with an eye on inflation, driven by rent increase, external growth and capital gains.

Please move on to page 6.

This shows financial results for the June 2024 fiscal period and operating forecasts for the next two fiscal periods.

In our financial results for the June 2024 fiscal period, operating revenue was 17,644 million yen, operating income was 8,354 million yen, and net income was 7,530 million yen. DPU was 7,600 yen as initially forecast, due to the use of internal reserves.

For the December 2024 period, we forecast operating revenue of 18,207 million yen and net income of 7,499 million yen, while for the June 2025 period, we forecast operating revenue of 17,847 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.

Adjusted EPU increased 174 yen to 7,551 yen, receiving a significant boost from the acquisition of Nakano Central Park East in the June 2024 fiscal period. We ensured the minimum DPU of 7,600 yen by utilizing retained earnings.

Adjusted EPU for the December 2024 fiscal period is projected to be 7,520 yen, unchanged from the forecast at the time of the previous results announcement, with decreased rent and common charge due to the impact of move-outs at MS Shibaura Bldg. offset by the full-year contribution of Nakano Central Park East and the recording of income from restoration expenses and cancellation penalty. The DPU forecast is set at 7,700 yen based on the revised distribution strategy.

In the June 2025 fiscal period, an increase in rent and common charge is forecast due to progress in leasing at MS Shibaura Bldg., which will offset the absence of income from restoration expenses and cancellation penalty recorded the previous fiscal period. Adjusted EPU is projected to be 7,520 yen, unchanged from the previous fiscal period, and the DPU forecast is set at 7,800 yen, which will equal the record high.

Please move on to page 10.

I will now explain our recognition of the external environment shown here.

On the Tokyo office market, the most recent vacancy rate decreased to 5%, reflecting the filling of vacancies due to strong demand for offices, despite large supply last year.
The vacancy rate for existing properties in particular was below 5%, which is generally said to be the point of equilibrium between supply and demand, and rents for properties in convenient locations and in some areas have already increased.

The trading market remains active largely due to domestic investors' strong appetite for purchasing real estate and foreign investors' steady demand. Japanese interest rates are trending up, but a reversal in cap rates is unlikely any time soon.
JPR will acquire strategically located properties in Tokyo and major regional cities, fully leveraging the sponsor pipeline, and will consider acquiring hotels which are achieving a fast recovery on the rebound of inbound tourism.

As for the interest rate trend, the Bank of Japan decided to increase interest rates again in its July meeting, and the timing and frequency of interest rate increases must be monitored going forward.

Moving onto the capital market, the TSE REIT Index currently remains low due the increase of interest rates and other factors. While monitoring capital market and interest rate trends, JPR will shift to a strategy focusing on DPU growth, which I will explain next, and will also consider capital policies such as the repurchase of treasury investment units.

Please move on to page 11.
I would now like to explain JPR's future DPU strategy.

JPR previously adopted a distribution strategy focusing on floor-based stability of DPU 7,600 yen; however, in light of factors such as the recent office market recovery, the active trading market and the inflation rate these days, JPR will shift to a strategy focusing on DPU growth. Through internal growth driven by rent increase on the back of market improvement and the competitive advantages of JPR's portfolio, and external growth capitalizing on extensive sponsor pipelines, as well as the use of capital gains resulting from asset replacement, JPR will, for the time being, target distribution growth of approx. 2% per year from 7,600 yen. Based on this strategy, the DPU forecasts for the coming two fiscal periods are 7,700 yen for the December 2024 fiscal period and 7,800 yen for the June 2025 fiscal period.

Please move on to page 13.

JPR has built a robust portfolio diversified in terms of grade, area, rent zone and tenant composition, with a focus on excellently located properties close to train stations.
We believe that JPR's portfolio will allow it to react quickly to any improvement in the market environment.

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 was 97.8% in the June 2024 fiscal period and is expected to be 96.9% in the December 2024 fiscal period.
Excluding the impact of move-outs at MS Shibaura Bldg., the occupancy rate for both fiscal periods is estimated at 98.6%, and high occupancy is being maintained.
Occupancy at MS Shibaura Bldg. had been an issue; however, good progress has been made with leasing activities and there are currently no particular concerns about operations at any property.

Please move onto page 15.

At MS Shibaura Bldg., multiple tenant move-outs left five floors (approx. 3,000 tsubo) vacant as of June this year; however, three floors (approx. 1,800 tsubo) have already been filled. A contract is expected to be concluded for one of the remaining floors at the end of August, bringing the occupancy rate to 86.4%. There are also some potential tenants considering renting the last remaining floor (approx. 600 tsubo).
Renovation to enhance value such as upgrading air conditioners, which has been carried out gradually after tenant move-outs, is also paying off, and leasing is steadily in progress by catering to the demand for relocation from neighboring areas.

Please move on to page 16. I will now explain the rent situation.
As shown in the graph in the top left corner, the June 2024 fiscal period saw a large net increase in rents following a net decrease the previous fiscal period, partly due to the upward revision of rents primarily at properties around Tokyo and rent revision at Otemachi.
Only finalized rent increases are shown for the December 2024 fiscal period; however, we expect upward revisions to increase going forward. The proportion of rent increase on both rent revision and tenant replacement is in an upward trend and most recently, in the December 2024 fiscal period, areas where upward rent revisions are occurring are also expanding.

Please move on to page 17.

I would now like to explain our initiatives to increase rent in the future.
In the office rent market, the vacancy rate has decreased and rent appears to be in an upward trend. Meanwhile, selection based on location and quality is increasing. When selecting office space, companies attach most importance to location. In an era where importance is attached to workforce wellbeing, comfort is also an essential factor.
In addition to building a portfolio consisting mainly of favorably located properties close to train stations, JPR will also seek to improve comfort and satisfaction through value-up construction in line with tenant needs. We believe that the current portfolio truly meets tenant needs. Furthermore, more than 80% of the portfolio is ordinary rental contracts with an opportunity for rent revision every other year. Another characteristic of the portfolio is the large number of tenants in the small area band that are relatively easy to negotiate with. We will aim for rent increase at an early stage by requesting upward rent revisions broadly, taking advantage of changes in the market environment and JPR's portfolio.

Please move on to page 18.

JPR's retail properties are all in busy prime locations and continue to maintain high occupancy.

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, the net increase in assets after subtraction of transfers is 86.3 billion yen, and we have also recorded capital gains of 5.5 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.

As shown on this page, JPR has used the sponsor pipeline to acquire Tokyo office buildings and favorably located properties in Osaka, Fukuoka and other regions and has also implemented asset replacement aimed at improving portfolio quality. Going forward, JPR will further accelerate such initiatives.

We will improve portfolio quality, recognize unrealized gains and generate free cash through strategic asset replacement.

Next, I would like to explain about Nakano Central Park East acquired in the current fiscal period.
Look at page 22.

Acquired in March, Nakano Central Park East is located close to Nakano Station and the green office space together with Nakano Shiki no Mori Park is highly rated from a wellbeing viewpoint.
The occupancy rate at the time of acquisition was 92.8% but the property was quickly leased up and now has 100% occupancy.
In addition, as shown on page 23, access to the property and convenience will further improve with the entry into operation of Nakano Station's new ticket gate and the construction of a pedestrian deck in 2026, and so upside potential in rents can also be expected in the future.

Look at page 24.

Tokyo Tatemono is developing medium-sized T-PLUS office properties and other urban retail properties and hotels, and JPR intends to continue holding discussions with Tokyo Tatemono in order to achieve continuous growth.

Please move on to page 26.

I will now explain our financial strategy.
During the June 2024 fiscal period, we procured funding of 20.0 billion yen in total, with an average maturity of 5.8 years.
While we used debt to acquire Nakano, we maintained control over LTV, which remained at the appropriate level of 42.9%, and debt acquisition capacity calculated based on a maximum LTV of 45% is approximately 20.0 billion yen.
By also drawing on the gain on sale associated with asset replacement, JPR will pursue external growth through property acquisitions.

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.
In addition, we intend to both control debt costs and ensure maturities, including considering long-term floating loans while monitoring the financing environment and the gap between short- and long-term interest rates.

Please move on to page 30.

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 GRESB and CDP assessments.
On the “Environment” front, we will accelerate various measures to reduce GHG emissions based on an awareness of the financial impact and we will also implement initiatives that address all aspects of sustainability including “Social” and “Governance.”

That concludes my presentation.

Recently, the J-REIT market is lackluster. Fortunately, however, the office rent market is recovering and the trading market is also strong. We, therefore, intend to live up to investors’ expectations by realizing DPU growth through new strategies that harness JPR’s competitive edge.

We look forward to your continued support.