

June 2026 (49th) Period Analyst Meeting

[Date: Tuesday, August 18, 2026]

[Q&A Session Summary]

- Q. The upward rent revision rate target at the time of contract renewal is 9.0% or more, but what level can be expected when replacing tenants?
- A. With the vacancy rate remaining at a low level, the main driver of rent revision is contract renewal, but we also want to achieve solid rent increase when replacing a tenant. The increase rate at the time of replacement differs for each case, so it is difficult to indicate a specific value, but given that the rent gap is widening significantly, the increase rate is likely at a correspondingly high level.
- Q. You intend to shift to a portfolio with significant room for rent growth. Am I correct in understanding that this means selling retail properties (presumably not urban ones) and replacing them with office properties? Could you provide more specific details about the shift in the portfolio?
- A. Our policy is to sell properties, focusing on those for which decreased profitability due to aging and other factors is a concern. This is not limited to offices and retail properties. We acquire new properties that are expected to demonstrate upside not just at the time of acquisition but also in the future, with the intention of building a strong portfolio whose overall performance will overcome rising interest rates and inflation.
- Q. Regarding the statement that “investment decisions will take the implied cap rate into consideration,” do you consider the yield on acquired properties based on the current NOI or based on the future NOI with future rent increases factored in?
- A. We always bear the implied cap rate in mind. However, even if the yield at the time of acquisition is somewhat low, we intend to acquire prime properties that have a competitive advantage and are expected to demonstrate upside in the medium to long term through measures such as leveraging sponsor support. In that sense, future NOI upside is a key factor in the decision to acquire a property.
- Q. Could you provide a breakdown of the EPU growth target, which you recently revised upward, and indicate how much impact an interest rate hike will have if rates rise more than expected?
- A. Because rent increases will be a major growth driver going forward, we expect that 80% of EPU growth will come from internal growth. The office market is performing extremely well, and we believe the contribution from internal growth may be at an

unprecedented level that greatly exceeds expectations. In terms of the interest rate outlook, we anticipate that there will be one policy rate hike this year and another next year. However, long-term interest rates have been rising rapidly since the recent coordinated foreign exchange intervention, and we are fully aware that the market consensus is shifting. Nevertheless, even if there was an additional rate hike, the increase in interest costs would be around 72 million yen per fiscal period (equivalent to less than 20 yen per unit), which we believe can be adequately offset through rent increases and cost control.

Q. You have just upwardly revised your growth targets, but what conditions would be necessary to expect further upside? With regard to the upward revision rate, do you think double-digit growth exceeding the current target may be possible?

A. One factor that could lead to further upside is further improvement of the office market. While office demand is extremely robust, new supply will be limited for a while. The tight supply-demand balance is likely to continue for the time being, so there is a high possibility that the office market will improve further.

In our recent upward rent revisions, the proportion of increases in the 11% to 19% range is rising, with some even exceeding 20%. However, we are proposing rent increases to all tenants, even those close to market rents, which brings the overall average down somewhat, but at the very least, we believe that achieving our target of 9% is thoroughly feasible.

Q. The rent gap for the portfolio is around 15%, and in the case of properties acquired from the sponsor, will it be around the same level or can a bigger rent gap be expected?

A. The rent gap differs depending on factors such as location and specs. As an example, Grand Front Osaka, which we acquired from the sponsor last year, has the biggest rent gap in our portfolio. We intend to continue focusing on acquiring properties with an appropriate rent gap—in other words, those expected to have future upside—from various sources, not just from the sponsor.

Q With regard to retail properties, given factors such as inflation resilience, is your policy going forward to acquire properties with a high proportion of commission-based rent and hotels?

A Retail properties comprise around 20% of our current portfolio, and there is no change in our acquisition policy, which is to thoroughly review factors such as the area and room for rent growth for each individual property.

Q In the retail sector, it is necessary to conduct rent negotiations based on factors such as tenants' sales and rent-paying capacity. With market rents near your properties

rising, especially for street-level stores, have you reached the stage where you can increase rents?

A Up to now, retail has been positioned as a sector that supplements the stability of the entire portfolio. In light of factors such as inbound tourism demand and entrenched inflation, we came to raise rents at the time of contract renewal or tenant replacement, especially for properties in prime locations.

Q With financing costs increasing due to rising interest rates, are you able to achieve external growth effects?

A The external growth effect immediately after acquiring a property is weaker than in the past due to factors such as rising interest rates. We have estimated EPU growth based on the assumption that it will mainly be driven by internal growth, and that is precisely why we believe it is important to carefully select and acquire properties that can contribute to growth by improving profitability through rent increases after acquisition.

Q Your intention is to increase asset size by at least 100 billion yen over the next five years. Generally speaking, is your policy to allocate proceeds from sale of real estate to acquiring replacement properties and not to acquire own investment units?

A Our policy on acquiring own investment units remains unchanged: our approach is that we will consider acquiring them if the price-to-net asset value (P/NAV) multiple falls below 0.9 times for an extended period.

Q With long-term interest rates trending upward, what is your view on future cap rates for appraisal purposes?

A For properties where increased cash flow may be expected, such as offices and residential properties, we have heard that the rise in expected return rate is offsetting rising interest rates, so at present there is no impact on cap rates.

There may be an impact in the future, depending on the asset type, but we believe there will be no impact on prime office buildings and retail properties in central Tokyo, which are the properties JPR targets.