Summary of Q&A Session

Japan Real Estate Investment Corporation/

Performance Review for the Period ended March 2026 (held on 18 May 2026)

Japan Real Estate Asset Management Co., Ltd.

＜Q＞With rent growth accelerating, could you share your view on how much market rents are likely to increase over the next one to two years?

＜A＞The shortage of office building supply continues, with vacancy rates in Marunouchi remaining below 1%, while JRE's portfolio is also operating at near-full occupancy. As a result, the pace of rent increases has been accelerating from one period to the next. Against this backdrop, we believe rents are likely to continue rising by around 10% annually over the next one to two years.

＜Q＞Interest rates are rising at a rapid pace. Even in this environment, do you expect rent growth to outpace the increase in interest rates, making your EPU and DPU growth targets fully achievable?

＜A＞Interest rates are rising faster than anticipated, but rent growth has been even stronger. As such, we believe our targets are fully achievable.

＜Q＞Regarding future property acquisitions, given the strong rent growth seen in sponsor properties, should we expect acquisitions to be primarily focused on sponsor assets going forward?

＜A＞Sponsor properties are generally high-spec assets with strong rent growth potential, so our basic approach is to prioritize acquisitions from the sponsor pipeline. At the same time, we will continue to monitor overall portfolio balance and complement any shortfall through acquisitions from third parties as necessary.

＜Q＞Capital expenditures exceeded ¥5 billion for the period ended March 2026, rising to roughly 14% of total property-related revenues. How do you view the outlook for further increases going forward?

＜A＞In light of rising construction costs, capital expenditures have indeed been trending upward recently, and we recognize the need for even tighter control going forward. At present, capex remains comfortably below depreciation expenses, but in preparation for further increases in construction costs, we intend to manage spending appropriately through measures such as postponing certain projects where feasible and combining these efforts with selective property dispositions. For the time being, we aim to keep capital expenditures from rising significantly above the ¥5 billion level.

＜Q＞Regarding the disposition of the Daido Seimei Niigata Building, could you explain the background behind the disposition price being below the appraised value?

＜A＞As redevelopment around Niigata Station has progressed and the center of office demand has shifted closer to the station area, this property, located in the Furumachi district, had been facing leasing challenges. In addition, the building is more than 30 years old, and repair and maintenance costs are expected to increase going forward. As a result, we determined that rent levels were likely to remain weak. We believe the assumed rent used in the appraisal valuation was somewhat optimistic, and therefore decided to proceed with the disposition based on actual market conditions that we have continuously monitored in our role as asset manager.

＜Q＞You acquired two properties in Sapporo. Could you share your outlook for supply-demand conditions and rent trends in the Sapporo market going forward?

＜A＞Rent growth in Sapporo has been strong even compared with other regional cities, and we view the market as one of the most favorable in Japan after Tokyo, Osaka, and Nagoya. In fact, newly developed large-scale office properties on the south side of Sapporo Station — the city's core business district — have seen significant rent increases, with asking rents recently reaching around ¥30,000 per tsubo. Demand from tenants that were unable to secure space in these new developments, as well as from those for whom the rent levels were too high, has been spilling over into surrounding buildings. As a result, we are seeing solid momentum in both tenant demand and rent growth at properties owned by JRE, including Link Sapporo and Sapporo Arch.

＜Q＞I also reviewed the earnings presentation of Mitsubishi Estate, JRE’s sponsor, which mentioned profit growth driven by property sales in the Marunouchi area. If Mitsubishi Estate were to sell properties in Marunouchi, is there a possibility that JRE could acquire them? In addition, even if initial yields are somewhat low, would JRE consider acquisitions where strong rent growth is expected? I would appreciate your thoughts on your acquisition strategy going forward.

＜A＞While properties in Marunouchi are highly attractive assets, the real estate market remains overheated, making it difficult for us to secure appropriate acquisition yields. As such, any acquisitions in this environment would need to be approached carefully. At the same time, similar to the Yaesu area, Marunouchi is expected to see strong rent growth going forward, with rents potentially approaching the ¥100,000 per tsubo level. Taking this into account, we believe acquisitions in Marunouchi could represent a viable investment opportunity.

＜Q＞Given your outlook for the market, should we view the targets, upward rent revision on 70% of renewed lease contracts and 7% for the rent increase rate as minimum thresholds, with the potential to exceed them going forward? I would appreciate your view based on current leasing performance.

＜A＞At this point, we believe the targets for the fiscal period ending March 2027 — upward rent revision on 70% of renewed lease contracts and 7% for the rent increase rate — are well within reach. While it is difficult to comment at this stage on the extent of any upside beyond those targets for the period ending March 2027, we would ultimately like to aim for an average 10% rent increase on rent revision in subsequent periods.

＜Q＞Could you elaborate on your policy regarding future property disposition? Regardless of whether assets are located in central urban areas or regional markets, is your policy to sell properties with weak profitability?

＜A＞We intend to take a multifaceted approach when evaluating potential property sales, regardless of whether assets are located in major urban centers or regional markets, and will consider disposing of properties where competitiveness is expected to decline. In regional markets in particular, we believe it is essential to carefully assess the competitiveness of each area, as the role and demand profile of office properties in regional cities continue to evolve. Against this backdrop, we plan to apply more stringent evaluation criteria going forward to properties located away from major station areas. When assessing individual assets, we place importance on their long-term competitiveness, taking into account factors such as yield trends, capital expenditure levels, and future net cash flow potential. We will continue to make comprehensive decisions based on these considerations.