Summary of the Q&A Session at the Financial Results Briefing for the 39th Period (Ended December 2025)

Q. I would like to ask about the policy to sell around 10% of the portfolio. You transferred BIZCORE AKASAKA-MITSUKE this time. Please provide an update on the scale and timeline of future transfers.

A. In addition to the recent transfer of two properties valued at 7.7 billion yen, we are considering the transfer of a property valued at over 10 billion yen, albeit through soft sounding. We would like to complete the property transfer within one year if possible. Given that there are other properties under consideration for transfer, we believe this pace is not bad considering our plan to transfer 30 billion yen (approximately 10% of the portfolio) over the next three years. Of course, a favorable price is a prerequisite for a transfer, and we will consider transfers while monitoring the market environment.

Q. Is the acquisition of properties using the proceeds from property transfers basically for acquiring office buildings? Or is there also a possibility of acquiring other asset types, such as hotels, as mentioned at the previous briefing? Also, I think you previously discussed aiming to acquire properties with a yield at least 1% higher than the transferred assets, but achieving such a yield improvement appears difficult judging from this asset replacement. I would also like you to comment on the improvement in yield.

A. Depending on the unit price, we will continue to consider buybacks, but the unit price has been rising, diminishing the effectiveness of buybacks. Given the diverse asset development portfolio of our sponsor, Nippon Steel Kowa Real Estate, we are considering acquiring assets other than offices. While over 90% of the portfolio consists of office properties, we are considering acquisitions in other asset types, such as hotel and residential properties. Furthermore, while we have previously stated our desire to improve yield by 1% through asset replacement, achieving a 1% improvement is difficult under the current circumstances. Ideally, we would like to see a 1% improvement, but we aim to achieve at least a 50-basis-point improvement, and also hope to add the growth potential of the properties to this.

Q. You stated that you aim for an upward revision rate of rent of 7% or higher, but for the period ended December 2025, the revision rate remained at 5.1% due to a major tenant occupying approximately 2,000 tsubo. The projected upward revision rate for the period ending June 2026 is 5.5%, which is slightly lower than the 6.2% forecast at the time of the previous earnings announcement. Given that the projected increase for the period ending December 2026 is also 6.4%, won't it be difficult to continuously exceed the target of 7%?

A. Based on our actual experience negotiating, a revision rate of 7% or higher seems like a high hurdle. Meanwhile, more tenants are coming to the table for rent increase negotiations, and we are getting a positive response regarding the percentage of increased rent. Naturally, we will negotiate thoroughly with each tenant with the aim of a revision rate of 7% or higher, but we intend to also increase the percentage of increased rent to operate in a way that ensures we consistently exceed at least 40% percentage of increased rent × 7% upward revision rate = 2.8%.

Q. Regarding the planned transfer of BIZCORE AKASAKA-MITSUKE, while BIZCORE is a brand that the sponsor, Nippon Steel Kowa Real Estate, is focusing on, is it easier to raise rents for S-class office buildings or BIZCORE? Is there any sign of decline for BIZCORE? BIZCORE acquisitions may continue in the future, so please explain the background behind the decision to sell the AKASAKA-MITSUKE property at this time.

A. This asset replacement started with the acquisition of AKASAKA INTERCITY AIR. AIR has a NOI yield after depreciation of 2.8% and is not a property acquired with financing. After considering what to do with the property to transfer in exchange for the AIR acquisition, we selected BIZCORE AKASAKA-MITSUKE, a property with a lower yield than AIR, following discussions with the sponsor. It is not that BIZCORE AKASAKA-MITSUKE lacks growth potential. The average rent per tsubo for AIR is just under 35,000 yen, but CBRE appraisals indicate 38,000 yen, and recent transactions have even reached 40,000 yen. BIZCORE AKASAKA-MITSUKE also offers high convenience with direct station access, but while its floor plate is 80 tsubo per floor, that of AIR is 780 tsubo, and AIR boasts more comprehensive ancillary facilities, making it more competitive. Please understand this in terms of a relative view of the properties.

Q. For the 40th and 41st periods, while rental revenue is projected to increase slightly, non-operating expenses, particularly interest expense and loan-related costs, are expected to rise more significantly than rental revenue. Does the increase in financial costs outweigh internal growth and external growth?

A. There was significant refinancing during the 39th and 40th periods, and funds were raised at fixed interest rates. Therefore, financial costs increased in the 39th and 40th periods. The situation is expected to stabilize after the 42nd period. Please refer to page 26 of the presentation materials for the repayment amounts for each period. For existing properties, if the percentage of increased rent is 40% or more and the revision rate is 7% or higher during revisions, and a rent increase of 10% or more during replacements can be achieved, EPU will increase by approximately 110 to 120 yen. If, as we anticipate, the long-term interest rate follows the scenario of remaining in the low 2% range and the policy rate being 1% this year and 1.25% next year, the impact on EPU would be approximately -90 yen. Rent increases are slightly exceeding financial costs. While rent alone covers financial costs, as other expenses are also rising, we aim to enhance growth potential through asset replacement and further expand the EPU increase of 110 to 120 yen.

Q. You explained that negotiations would also proceed with tenants with a positive rent gap, but isn't the hurdle for raising rents of tenants with a positive rent gap quite high? How will you negotiate for an increase? Do you have some kind of know-how?

A. It's not that we have any special know-how or any secret tricks up our sleeves. While there is some variation such as periods where we can achieve increases of approximately 10% and others where increases are limited, we conduct meticulous negotiations tailored to each tenant's specific circumstances, including negotiating in conjunction with equipment upgrades or LED replacements, or with tenants experiencing favorable business conditions.

Q. The target for EPU is an annual average growth of 2% or higher, but what is your approach to DPU growth? What level will you control it at?

A. In the previous earnings announcement, we set a minimum DPU of 3,000 yen and projected a DPU of 3,000 yen for the 39th and 40th periods. This time, compared to six months ago, the environment remains highly favorable and asset replacement has progressed beyond expectations, and given the widening negative gap, we have decided to advance investor returns and raised our forecast DPU. As long as these conditions persist, we intend to increase DPU without reducing dividends. We have a general idea of the effects of asset replacement for about two periods ahead, and we plan to consider raising the DPU after careful review.

Q. Do you mean that if the current external environment remains unchanged, you aim not only to maintain the absolute value of DPU going forward but also to achieve growth rates similar to the projected annual rate of 3.3% for the 41st period?

A. The projected 3.3% annual growth rate for DPU and 2.5% annual growth rate for EPU in the 41st period will widen the gap between DPU and EPU. For this reason, we have not yet reached the point of aiming for a 3% annual growth rate for DPU, and we intend to increase it while monitoring conditions.

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