

**Japan Metropolitan Fund Investment Corporation**  
**February 2021 (38th) Period Q&A Session Telephone Conference**  
**Q&A Session Summary**

Date: Monday, April 19, 2021

In the Q&A Session Telephone Conference, four participants put forward a total of ten questions. The questions and answers have been grouped under the titles “External Growth”, “Internal Growth” and “LTV” based on the details of the questions.

**【External Growth】**

- Q1. : You stated that properties currently under consideration for acquisition are worth a total of 450 billion yen. Of these properties, approximately what amount can you actually acquire?
- A1. : We cannot disclose specific amounts, but there is a possibility that we can acquire some of the properties under consideration. Also, we have already acquired preferential negotiation rights for some of them and have been working toward the closing. We will continue to proceed with acquisition while fully applying our acquisition capability.
- Q2. : Are there currently any changes to market trends in selling properties? For example, do you feel that the increased attention to the stability of suburban retail properties has made it easier to sell such properties or has made it more difficult to sell urban retail properties?
- A2. : Purchasers of suburban retail properties previously existed and we do not believe sales of suburban retail properties are suddenly increasing due to the COVID-19 pandemic. The suburban retail properties that are within the scope of our sales are based on long-term contracts and therefore are stable. As they are primarily assets in the Tokyo and Osaka areas, and demand is firm from purchasers who prefer stable long-term contracts, such as developers and core funds. Being backed by such demand, we were able to secure substantial gains on the recent sales of two properties.
- Going forward, we will include in the scope of sales urban retail properties with low profitability that are unlikely to recover. Some urban retail properties have already been put on the property trading market. Under the current environment with excessive liquidity, even retail properties can attract buyers as long as they are located at prime sites in Japan, especially large-lot properties. We thus recognize that there are buyers for urban retail properties in prime sites even amid the COVID-19 pandemic.
- Q3. : JMF recently acquired G-Bldg. Shinsaibashi 05 at a considerably high yield. Was it unexpectedly available at a reasonable price? Or are the overall values of urban retail properties declining, including JMF’s existing properties in the Shinsaibashi area?
- A3. : We were able to purchase G-Bldg. Shinsaibashi 05 at an NOI yield after depreciation of 4.9%, which is extremely high. This is largely attributable to reasons and circumstances on the side of the seller, rather than a price decline associated with a fall in the market

value of Shinsaibashi, and we recognize that this is due to individual factors. The property was acquired early last year using a bridge scheme, and JMF acquired it at this time from the bridge seller. Since the property was acquired through a bridge scheme when the impact of COVID-19 started to have a large impact, we also believe that this is due in part to the seller rushing to sell the property.

- Q4. : On page 21 of the analyst meeting material, JMF states that collaboration with a private REIT specializing in residential properties is under consideration. Does this mean JMF will take on exposure to residences by acquiring investment units, or that JMF is considering taking steps beyond acquiring investment units and undertaking other measures? Also, when acquiring investment units, what synergies do you think can be generated with JMF's existing portfolio?
- A4. : By acquiring investment units in a private REIT specializing in residential properties, we will naturally take on exposure. In addition, we hope to negotiate with the asset management company and parent company of the private REIT so that we can acquire preferential negotiation rights for properties that are not included in the private REIT. With regard to reconstruction, which is part of our growth strategies, since properties can be used as residences after reconstruction, we also consider that synergies can be expected by capitalizing on their expertise.

#### 【Internal Growth】

- Q5. : On page 24 of the analyst meeting material, JMF projects a long downtime for lease target properties in the 39th and 40th periods. How do you see current lease demand for urban retail properties from tenants?
- A5. : We factored in a conservative downtime in our business performance forecasts for the 39th and 40th periods. However, we are currently strengthening leasing and aiming to lease all units in the target properties as early as possible. This page shows major targets, but there are around 100 lots not shown on this page, primarily small lots, that tenants have left in the past year, and we have managed to find new tenants for 70-80% of those lots. As some tenants are accelerating their efforts to open new shops even amid the COVID-19 pandemic, we will target such tenants and lease our properties. Specifically, we will target service, furniture, sundry, personal fitness, and other businesses. An increasing number of people are changing their room environments and investing in themselves as they stay home due to the COVID-19, and there is a strong need for opening shops among tenants who can appeal to such people. In addition, as we have become a general REIT, we have embarked on leasing aimed at turning retail lots into mixed-use properties by adding some office tenants.
- Q6. : With regard to the promotion of digital transformation (DX) described on page 25 of the analyst meeting material, how does JMF intend to turn this initiative into unitholder value? Will this initiative help improve the fund's value from a long-term perspective?
- A6. : JMF has put particular focus on the utilization of IT in real estate management and strengthened such initiatives in the past several years. For some of our large-scale, multi-

tenant retail properties, we launched a property application and started collecting customer data. These properties have already been using the application and accumulating data such as on tenant sales, visitors, and purchases. In the past, such data was analyzed and used on an individual property basis, but going forward, we will integrate the data, analyze and utilize it for managing real estate.

To respond to the question of whether this initiative will lead to unitholder value, we expect that the initiative will help increase sales and contribute to leasing. Using the integrated data, we will distribute information to customers through push notifications based on their respective tendencies and changes. We will thereby encourage them to make purchases and aim to increase sales. Further analysis of data will also reveal what kind of tenant customers are seeking for each property. We consider that showing this data to negotiating tenants in the course of leasing will make it easier for tenants to open shops and allow us to achieve tenant compositions suited to each property, providing benefits to both the tenant and JMF. In the medium- to long-term, we hope to use data to approach workers of surrounding offices with a view to area management.

Q7. : It seems you have made considerable investment in the development of this integrated database. Is it regarded as an intangible fixed asset for JMF or did the asset management company pay for it?

A7. : This is an investment made by JMF in an intangible fixed asset.

Q8. : With tenants leaving during the COVID-19 pandemic, can you tell us about specific cases where the utilization of DX successfully led to the acquisition of a tenant, if any?

A8. : As specific achievements, since short-term, pop-up tenants are placing a significant emphasis on foreshore traffic volumes and purchasing rates, we use such data for negotiations with tenants, and this has led to the opening of shops. Moreover, the use of an application, which started last year at some properties, has revealed that app members frequently visit the property even during the COVID-19 pandemic and contribute to sales. Therefore, we intend to implement measures to raise the loyalty of app members. During the COVID-19 pandemic, we will focus on improving services for existing customers rather than acquiring new customers and use DX for such efforts.

#### 【LTV】

Q9. : The former JMF included the amount of tenant leaseholds and security deposits when calculating LTV. How will LTV be calculated going forward?

A9. : JMF will exclude tenant leaseholds and security deposits from interest-bearing debt to calculate LTV.

Q10. : Can you tell us about JMF's LTV target range and capacity to acquire properties in the short term without turning to equity financing?

A10. : As for LTV, which is based on interest-bearing debt excluding the amount of tenant leaseholds and security deposits, as mentioned earlier, JMF has set the target range at 40-50%. LTV at the launch of JMF was 43.5%, which is within the range and also

somewhat on the low side, and we consider it to be an appropriate level. We will continue to replace our assets for the time being, but we recognize that the LTV level will not change significantly because property acquisition will be, in principle, funded by proceeds from sales. However, assuming that LTV will increase to 45%, our acquisition capacity will be around 40 billion yen.

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Asset Management Company: Mitsubishi Corp.- UBS Realty Inc.

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