

Japan Metropolitan Fund Investment Corporation

February 2024 (44th) Period Q&A Session

Q&A Session Summary

Date: Thursday, April 18, 2024

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

【Strategy】

- Q1. : Regarding your future strategy to manage upside potential with inflation in mind to enhance DPU and NAV, are you going to use different management methods from the previous ones? Will you work on asset replacement in the same manner as before, or slacken the pace of replacement and focus on internal growth, or build up properties for which rent increases can be expected more? What will the specific difference be?
- A1. : The difference is that we are going to shift to a higher gear than before and boost our pace to improve the profitability of the existing portfolio through internal growth. Regarding asset replacement, it is entering its final stage with a little less than 100 billion yen remaining to be sold. We intend to keep on working while considering the pace of realizing gains on sales.
- Q2. : According to page 9, stabilized EPU is about to go well over 2,250 yen. When do you expect it to actually exceed that level, taking account of the timing of free rent elimination or other factors?
- A2. : Let me explain it again using the page 9 slide. The portion of an approximately 800 to 900 million yen earnings increase, which has already been secured, is not factored into the earnings forecast for the 45th and 46th periods now but is expected to be manifested strongly around the 47th or 48th period. The elimination of office vacancies and the upside shown above it are what we are currently actively working on, which may be built up earlier, from the 45th period at the earliest. It is not that they will reach 2,250 yen in the 47th or 48th period. We are now firmly moving forward to achieve this goal ahead of schedule.
- Q3. : Regarding the total return of 10.3%, of the two factors enhancing NAV, cash flow increases from properties through internal growth and cap rate declines, how large was the share of increases in cash flow?
- A3. : Increases in appraised value due to higher revenues and higher rents accounted for the most part. Part of the increase in NAV was due to acquisition of new properties, but the main factor was higher rents for existing properties for this period.
- Q4. : As the scale of repurchase of your own investment units is quite small compared to those of other REITs, I doubt it will be very effective. I would like to ask about its background and the possibility of your expanding the scale depending on the future situation.
- A4. : We are making this repurchase of up to one billion yen using free cash. As for the size, the maximum

amount that can be allocated for buybacks has been set at one billion yen as we are planning to acquire several properties using cash on hand from this March to May. On the other hand, EPU has been accumulated firmly based on the strategy, as I explained today, and since the investment unit price has performed well below our confidence toward growth, we made this decision as we consider it important to appeal to the market, regardless of the amount of cash on hand, and to make firm commitments to future growth.

- Q5. : After the repurchase of your own investment units of up to one billion yen that you have announced, will your top priority for use of cash funds expected to occur in the future as a result of the sale of properties for asset replacement or other events be placed on increasing rents for existing properties and newly purchasing properties, over repurchasing your own investment units? Or is it possible that you will consider repurchasing your own investment units according to the conditions of the market or investment unit prices?
- A5. : We will determine the priorities for use of funds to be allocated based on the comprehensive judgment of factors such as the environment surrounding J-REITs at a time when we have surplus funds, the investment unit price of JMF, and the status of property acquisitions.

【External Growth】

- Q1. : Is there a possibility that you will accelerate the pace of acquiring residential properties in the future? Are there ways to accelerate the pace? Considering housing fundamentals, it seems that an early acquisition of residential properties forms larger contribution to the portfolio in terms of cash flow and NAV.
- A1. : On an inflationary trend, rents for excellent rental residential properties have been rising for several years. JMF, detecting the changes in the market, started actively acquiring residential properties around the time of its merger with MCUBS MidCity Investment Corporation. Continuously confirming the trend in the difficult residential property acquisition market, we would like to increase the residential ratio in its portfolio to a certain degree by capitalizing on the acquisition capabilities, which is our advantage, and using various acquisition methods. We will work on property acquisitions with a sense of speed, watching profitability. As for pipeline candidates, we have held several properties for bulk residential projects since last year using long-term bridges through silent partnership investment. We aim to steadily increase the residential ratio to a certain level by making full use of various acquisition methods.
- Q2. : While your investments in private REITs appeared to be more for accumulating residential know-how at first, now that you are a large investor, are you discussing ways to improve the investment targets' corporate value? In addition, what is the biggest reason for the increase in profitability as a result of the management know-how you provide to the investment target private REITs that you mentioned?
- A2. : JMF's investment unit equities have been increasing as additional investments in Nisshin Private Residential Reit, Inc. have been accumulated. JMF's equity investments of a certain scale while communicating with the issuer led to their steady growth backed by stable funding, and increased dividend yields since JMF's participation. JMF's provision of accounting knowledge also helped increase their dividend yields. While dividends of Nisshin Private Residential Reit, Inc.

have risen in collaboration with JMF through equity investments, some rental residential properties have been introduced to JMF as its pipelines. We are in a win-win relationship with each other.

Q3. : Regarding the knowledge provision to Nisshin Private Residential Reit, Inc., was that specifically on changes in accounting schemes, or did you give advice that may lead to increasing rents for properties they hold?

A3. : Let me only respond that we shared various knowledge related to accounting and decline to comment on details.

Q4. : IIF announced CRE proposals in collaboration with KKR. Is there any possibility of that occurring to JMF going forward as well? Is it more difficult to make proposals for commercial assets than for infrastructure or logistics assets?

A4. : We are advancing a significant number of proposals to companies in Japan in collaboration with KKR's private equity team and others, including those for such projects as JMF may have the opportunity to work on, not only those relating to logistics or industrial properties. However, there are no projects that we can announce in the near future at this time. Please keep an eye on our progress.

Q5. : For the sale of Ito-Yokado Tsunashima, what are the intentions of the buyers who are offering to purchase it? Do they intend to continuously operate it as a commercial facility, or redevelop it?

A5. : While we published the detailed progress of the property in this earnings announcement, let me decline to comment on the prospective buyers' intentions because they have their own circumstances, respectively.

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