

Mitsui Fudosan Accommodations Fund Inc.
39th Period (March 2025 – August 2025) Investor Presentation
Q&A

- Q MAF set an annual average EPU/DPU growth target of 2 to 3% in the previous period. Meanwhile, the Investment Corporation's EPU came in at 5.1% compared with the previous year for the August 2025 period, exceeding this target. Moreover, the percentage rent change at the time of tenant turnover and agreement renewal both hit record highs. Given this, can we assume that the current annual average growth target of 2 to 3% has substantial upside potential going forward, or should this target be viewed as the minimum achievable baseline? Please share your thoughts on the progress toward this target.
- A Conditions throughout the current rental apartment market have improved beyond expectations since we disclosed our target this past April. Six months have now passed since we set the 2 to 3% annual EPU and DPU growth target (excluding gains on disposal). While market conditions are favorable, we want to wait a bit longer to gain a more detailed understanding of the data before adjusting the target. Therefore, the target remains unchanged at this time. However, should the environment continue to exceed expectations and develop in this positive manner, we intend to revise the target upward.
- Q The President mentioned his desire to strengthen collaboration with the Mitsui Fudosan Group following the trade name change. The sponsor pipeline is also expanding. While MAF has not undertaken any significant acquisitions of the Park Axis series of late, can we expect stronger progress with respect to the Investment Corporation's external growth strategies, including increased collaboration with its sponsor, going forward?
- A MAF's strength lies in its relationship with the Mitsui Fudosan Group, a sponsor company with strong property development capabilities. Our top priority is to acquire properties from the Park Axis series pipeline. As such, we will continue to engage in thoroughgoing discussions with the sponsor. Having said this, with the condominium market performing well, there is little incentive for the sponsor to dispose of properties from this series to realize profits given current circumstances. Moreover, with market cap rates low, acquiring properties from the sponsor is not an easy matter. Despite the aforementioned, adopting innovative methods, including reciprocal or mutual transactions, can pave the way for the Investment Corporation to acquire properties from the sponsor. For example, the sponsor can acquire properties held by the Investment Corporation thereby generating business opportunities, and in return, MAF can acquire sponsor properties.

Q While the Investment Corporation outlines its intention to “pursue an optimal mix of occupancy, rent revision rate and one-time revenue” under “Initiatives to grow EPU and change factors” on page 8 of the presentation materials, does this mean shifting the focus from the current mix to increasing unit price rents? If so, can we expect the current percentage rent change at the time of tenant turnover to increase further?

A MAF’s basic approach toward internal growth remains unchanged. As such, the Investment Corporation will continue to pursue an optimal mix of occupancy rates, percentage change in rent, and lump-sum income. We believe that continuously improving EPU excluding gains on disposal contributes to investor returns. At the same time, we recognize the critical need to maximize NOI both currently and over the medium to long term, rather than simply setting and pursuing the percentage change in rent at the time of tenant turnover as a KPI, in order to achieve the sustainable growth of EPU and NOI. Naturally, occupancy rates are also important, and we will of course pursue percentage change in rent. However, we do not believe that pursuing percentage change in rent at the expense of lowering occupancy rates or sacrificing lump-sum income is the best approach for increasing EPU or NOI. While the percentage change in rent depends on the market, we are projecting approximately 10%, and believe that a rate around this level represents a prudent outlook for the future.

Q MAF has outlined its focus on “returns on gains generated by strategic asset recycling, etc.” under “Initiatives aimed at upside for DPU” on page 8 of the presentation materials. Are you considering setting a target for gains on disposal in order to help, for example, increase DPU?

A We have not set a target for realizing a specific annual amount for gains on disposal equivalent to the difference between EPU and DPU going forward. Nor do we currently plan to identify and disclose such a target. While we acknowledge that realizing gains on the disposal of properties is an important initiative in returning profits to investors, we place considerable emphasis on EPU growth. Accordingly, we prioritize cases where gains are realized through disposal based on the replacement of assets that enhance the quality of the portfolio. We are constantly considering the disposal of properties with weaker future cash flows, and replacing them with stronger ones. If this results in gains that can be returned to investors, that would be favorable.

Q The Investment Corporation’s LTV currently stands at 51.3% and 32.7% on a book and market value basis, respectively. As is the case with other companies, does the potential exist to increase the leverage level in the event of a switch to a market value basis?

A When considering an appropriate LTV level, we always take into account the market value. However, for publicly announced target levels, we primarily use the book value while also

considering market value. When looking at current LTV levels, we believe there is room for leverage based on the market value. Accordingly, MAF's LTV may increase at the time of property acquisition.

Q Turning once again to "Returns on gains generated by strategic asset recycling, etc." at the bottom right of page 8, is this a continuation of the existing policy rather than a change in the previous stance and approach?

A Our policy remains unchanged. We believe EPU growth is paramount, and continuing our existing disposition policy is the best way to achieve that.

Q In line with efforts to "strengthen its rent revision policy for agreements subject to renewal," MAF witnessed a 1.7% increase in its percentage rent change at the time of agreement renewal over the two month period from July to August. Can you provide us with specific details of how the policy has changed.

A Amid a robust rental market, MAF works to secure a rent increase at the time of agreement renewal when there is a significant gap between the renewal tenant's agreement rate and the rate for new agreements. From late last year to the beginning of this year, we adjusted the level of increase requested based on that gap compared with previous practices. Requests for rent adjustments typically begin approximately six months before agreements are scheduled to expire. The 1.7% rate for the July to August period reflects the results of requesting a revision under this new policy.

Q Details of a private lodging property in Osaka are provided on page 19 of the presentation materials. In the sponsor developing this type of property on an ongoing basis? While there are regulatory concerns regarding private lodgings and foreign tenants, can you tell us about the possibility of similar projects emerging in the future.

A Osaka City is designated as a special zone. While many developers are adopting a positive approach toward pursuing projects there as a result, various issues have arisen, and the city itself is grappling with challenges. Our sponsor also appears to be considering multiple land acquisition projects following MAF's acquisition of the property in Shinsaibashi. However, given the sudden change in circumstances, they are currently monitoring the situation. In light of Osaka City's considerable size, we believe that a survival-of-the-fittest scenario is highly likely to emerge as private lodging development progresses. With this in mind, owning properties in areas favored by inbound tourists, such as Shinsaibashi and the northern areas of Namba, will provide us with a competitive advantage in the event of an increase in private lodgings in the future. The important point to note here is that MAF will not acquire a

property just because it is a private lodging in Osaka City.

Q Given the current favorable environment for rental businesses, can you provide us with examples where foreign tenants have contributed positively.

A Certain areas within our portfolio are popular among foreign tenants. While currently small, demand from foreign tenants, including international students, is increasing. However, we are yet to see a significant change in the overall foreign tenant ratio across the portfolio as a whole. Japanese workers remain the Investment Corporation's core tenant base. The overall foreign tenant ratio across the entire portfolio is roughly 5%, and slightly higher for Okawabata. Despite an increase in foreign tenants at certain properties, this is yet to reach a level to significantly impact the overall portfolio.

Q As far as the ability to secure rent increases on a sustainable basis is concerned, the surge in condominium prices has made purchasing difficult, creating a tailwind with respect to rental apartment demand. To what extent do you believe increases in rent will continue?

A We believe that the high cost of construction and low number of new housing starts in Tokyo will continue for the foreseeable future. Taking into consideration, the positive population influx into Tokyo, coupled with the underlying demand and supply dynamics driving rental apartment trends, the upward trend in rents is expected to continue. While difficult to predict how long this will last and to quantify the exact percentage, we anticipate a sustained period of rent increase going forward.

Q The percentage change in rent at the time of agreement renewal increased 1.7% from July to August. What are your thoughts on why tenants are accepting these higher renewal rents. While tenant income growth is likely a factor, are there other reasons?

A One factor is indeed the upswing in tenant incomes, which has improved their ability to pay. Another factor is that rents are higher when moving in. When faced with a rent increase request, tenants may consider finding an alternative. However, even if they do so, finding a comparable property at a lower rent is difficult because new rents are rising. Tenants understand that market rents are increasing, so they are reasonably responsive to increases.

Q Currently, MAF has no concrete plans to acquire new properties. However, there are many properties in the pipeline and prospects for new property acquisition. Amid difficulties in acquiring new properties from an external growth perspective, can you elaborate on your property acquisition policy. Will you prioritize hotels or residential properties? If residential properties are the Investment Corporation's priority, will you focus on the Park Axis series

or value enhancement properties such as the Park Cube series?

- A As we enter a period of full-fledged inflation, we believe that targeting properties with future upside potential is important when contemplating the acquisition of properties. While MAF primarily focuses on rental apartments in Tokyo's 23 wards, we look to acquire properties based on their location and grade, while considering what kind of properties offer upside potential and whether to acquire from the sponsor or externally. MAF has recently acquired properties externally and is obtaining an increasing amount of property information from channels other than the sponsor. The Investment Corporation actively evaluates properties not only from the sponsor but also from external sources with the aim to also build up a robust Park Cube series pipeline. As the Mitsui Fudosan Accommodations Fund, our investment strategy encompasses not only residential properties but also hotels. Currently, hotels represent properties with upside potential. We believe that acquiring hotels and similar assets under contract formats that offer upside potential, such as variable rent private lodgings, is an acquisition strategy well-suited to the current era.

- This document is intended for informational purposes, and is not intended to sell or solicit an offer to buy or sell any security or other financial instrument of the Investment Corporation.
- Unless explicitly indicated, the information provided in this document does not constitute the disclosure or asset management reports required under the Financial Instruments and Exchange Act or the Act on Investment Trusts and Investment Corporations.
- Nippon Accommodations Fund Inc. has exercised due care in providing the information in this document, but does not guarantee its accuracy or completeness.
- The information in this document contains future projections, but such statements do not guarantee future performance.
- The Investment Corporation is not responsible for updating the information in this document. The information in this document may be changed without prior notice.

REIT Management Company: Mitsui Fudosan Accommodations Fund Management Co., Ltd.

(Financial Instruments Firm: Kanto Finance Bureau (registration) No. 401

Member of the Investment Trusts Association, Japan)