

Investor Presentation for the 31st Fiscal Period Ended August 2021

Held on October 18, 2021

Major Questions and Answers (Summary)

Q. 1

Now that the asset size is over 800 billion yen, which was the initial target at the time of the merger, and the stabilized target DPU of 5,600 yen is expected to be achieved, the operation status seems quite stable. Do you intend to keep aiming for aggressive external growth or prioritize other things such as strengthening ESG initiatives? Do you also plan to continue to acquire mainly logistics properties?

Ans. 1

We didn't set a numerical target this time. With the asset size of 1 trillion yen in sight, we believe we are no longer in the phase of setting the target value. We also believe the environment will change depending on the economic conditions, especially the real estate market once COVID-19 pandemic is over. The appraisal cap rate for the logistics properties and residential properties dropped again by 10 basis points across the board. We plan to implement flexible measures in each phase to contribute to the improvement of unitholders' value. While we have an abundant sponsor pipeline, the sponsor plans to sell properties of about 200 billion yen annually. We hope to continue acquiring properties by utilizing preferential negotiation rights. When implementing equity offering accompanying property acquisition, we aim to continuously grow DPU. As shown in the pipeline, the target for acquisition will be mainly logistics properties for the time being.

Q. 2

Is the sale of properties likely to increase in the future? What kind of properties do you intend to sell?

Ans. 2

We review and evaluate all the properties every fiscal period. We comprehensively evaluate the profitability and stability of the properties based on location, specifications, tenants, contract years, and other factors. However, the extracted properties are not candidates for immediate sale, since profitability of some properties can be improved six months later. We closely examine the situation and pick out the properties whose profitability is unlikely to improve in the future as candidates for sale.

Q. 3

As for residential properties, the operating environment does not seem to be particularly tough as

far as I can see from the materials. Do you expect the growth in residential properties again after COVID-19 pandemic is over?

Ans. 3

The operating status of residential properties in the central Tokyo continues to be tough. The population of Tokyo is still decreasing. Having said that, we have been able to increase monthly rents of residential properties for 13 consecutive fiscal periods. While we are somewhat struggling to backfill the vacant space after move-outs of tenants, it is fair to assume that we are doing relatively well. Due partly to the sale of one property with a low occupancy rate, we expect the average occupancy rate of the residential properties for the fiscal period ending February 2022 to be around 97%.

Q. 4

The sponsor is focusing on developing data centers. Is there a possibility that data centers will be in the pipeline?

Ans. 4

The sponsor is developing a data center in Inzai City, Chiba in collaboration with AirTrunk of Australia. It is probably unlikely that we will acquire this property as AirTrunk is leading the development. On the other hand, the sponsor is accumulating know-how in this field and acquiring land as a candidate site for data centers. We are not planning to acquire data centers for the time being, but after conducting thorough research, we believe there is a possibility for acquisition in the future.

Q. 5

Development of distribution centers near the central city seems to be growing. Also, what do you think of the move of other logistics REITs to strengthen the acquisition of logistics properties equipped with freezing and refrigerating facilities?

Ans. 5

Our acquisition targets are the logistics properties in the three major metropolitan areas and core regional cities. In addition, we acquired a logistics property located in Narashino, Chiba equipped with freezing and refrigerating equipment in advance this April. According to the hearing of the development status of the sponsor, it does not seem that logistics properties with such facilities will increase significantly. As for the last mile distribution centers, profitability is an issue in development considering the rising land price. We believe it is possible to consider acquiring if it is a complex facility with other uses.