

Investor Presentation for the 30th Fiscal Period Ended February 2021

Held on April 21, 2021

Major Questions and Answers (Summary)

Q. 1

In order to achieve the stabilized target DPU of 5,600 yen at an early stage, do you intend to aim for aggressive external growth through utilization of the abundant pipeline of approximately 400 billion yen, or do you intend to aim for this target through continuous utilization of debt capacity and portfolio rebalancing?

Ans. 1

We set 800 billion yen in asset size as our initial target at the time of the merger in September 2016, but switched to a policy of aiming for sustainable DPU growth rather than expansion of asset size in the Mid-Term Growth Strategy announced in October 2019 and set the goal of stabilized target DPU of 5,600 yen. There is no doubt that external growth will be the driver for achieving the target DPU, but we would like to promote portfolio rebalancing as well.

Current stabilized forecast DPU is 5,450 yen. Although we might utilize the method of equity offering at the time of the next bulk acquisition of properties, we hope to first achieve stabilized target DPU of 5,600 yen steadily.

Q. 2

Concerning residential properties, the impact of COVID-19 seems to be less for DHR than other REITs. Can we understand that the downward pressure on revenue is not that serious?

Ans. 2

Average occupancy rate of residential properties in the period ended February 2021 was 96.3%, almost the same as the forecast, while that in the period ended August 2020 was 96.7%. Although move-outs of tenants were about the same as the figures for the same period in the previous year, we have the impression that a rather severe condition is continuing for filling vacancies. Amid such, we were able to achieve an average occupancy rate of 96.3% and rent increase of 2.2% upon tenant replacement as a result of flexible measures including waiving part of the key money, setting free rent, and increasing leasing costs as well as efforts of property management companies engaged in leasing activities. As for the impact of COVID-19, we believe there are some.

Q. 3

Am I correct in understanding that there was no reduction or exemption from payment of the fixed

rents for hotels operated by Daiwa House Group?

Ans. 3

Your understanding is correct, we have received no such request at this point in time.

Q. 4

Currently, logistics properties and residential properties account for about 80% of the portfolio, while retail, hotel, and other properties account for about 20%. How is this breakdown expected to change through future external growth and portfolio rebalancing?

Ans. 4

Of the approximately 400-billion-yen worth of properties in the pipeline, logistics properties account for approximately 300 billion yen. As the sponsor is mainly developing logistics properties, we believe that our property acquisitions will be centered on logistics properties for the time being, leading to a slight increase in the ratio.

Q. 5

Acquisition of DPL Shin-Narashino in April seemed to be made at a level more attractive than the entire portfolio on the basis of appraisal NOI yield after depreciation. What is your perspective on future acquisition of logistics properties?

Ans. 5

Appraisal cap rate, which works as a criterion in considering property acquisitions, in our portfolio is, for instance 3.8% for Urayasu, 4.0% for Misato, and 4.2% for Nagareyama. I believe that growth in DPU is an important factor when deciding property acquisition. I would guess that the implied cap rate calculated based on the current investment unit price level is around 4.3% to 4.4%, so we would consider a level around that for property acquisition.

Q. 6

This year, you didn't implement equity offering accompanying property acquisition, which you have done between February and March of each year over the past several years. While approximately 400 billion yen of properties are in the pipeline, under what conditions do you think that external growth through acquisition of properties at a certain scale can be achieved?

Ans. 6

Since the merger, we have carried out global offerings in around February and March for four

consecutive years. It just so happened that based on comprehensive judgement on the timing of the sale of the sponsor's properties, our perspective on acquisition, the timing of the equity offering, etc., we were able to carry out offerings at that time for four consecutive years. When we carry out equity offering, we firmly place priority on increase in unitholder value and growth of DPU. This time around, we decided to pass up the opportunity as a result of comprehensive judgement. For the future, we will aim to achieve the stabilized target DPU of 5,600 yen by carrying out equity offering while discerning the timing for property acquisition.