

Investor Presentation for the 26th Fiscal Period Ended February 2019 held on April 19, 2019

Major Questions and Answers (summary)

Q. 1

Was the upward rent revision for one of the logistics properties attributable to tenants directly or the favorable supply-demand environment?

Ans. 1

Both ended up being factors. The logistics property subject to rent increase is situated in an excellent location near a station and an interchange of a highway. We would like to continue to raise the rent of properties with such favorable conditions.

Q. 2

The rent of residential properties upon tenant replacement is now more bullish. Are there any differences in the trend in accordance with unit type?

Ans. 2

Location provides a larger impact than unit type. Rent upon tenant replacement increased by 2.4% on average, and increased by 3.8% in the 5 central wards of Tokyo. We believe such bullish market trend will continue as the supply of new properties is limited while the population concentrates in Tokyo.

Q. 3

Is it likely we will see an increase in the number of projects eyeing future redevelopment?

Ans. 3

As it is becoming difficult to acquire residential properties in central Tokyo at a high yield, we would like to also acquire old properties with an eye on future redevelopment.

Q. 4

I have the impression that properties acquired through the equity offering this time were acquired at a yield higher than the original forecast. What is your future forecast?

Ans. 4

We acquired the logistics properties in Hachioji City at highly favorable appraisal NOI yields of 4.8%. We believe that acquisition of Aoyama Tailor Bunkyo Sengoku Ekimae Store was also at a

favorable yield when considering the location in front of a station in central Tokyo. As for our basic policy to invest 70% or more in the three major metropolitan areas, the percentage of properties acquired from March to April this year located in those area was 76.4%. We intend to raise the percentage of properties located in the three major metropolitan areas a bit more, but it may become slightly difficult to maintain the average NOI yield of the current portfolio (5.3%) if we raise the percentage. As for the future, we plan to acquire properties to maintain the total yield even when there are properties with low yield while being aware of the level of the implied cap rate.

Q. 5

Upon achieving an asset size of 800 billion yen, do you intend to settle down or will you seek to continue expansion?

Ans. 5

We intend to reevaluate the pace of property acquisition by assessing the content of the new mid-term management plan of the sponsor scheduled to be announced in May.

Q. 6

An annual growth in stabilized DPU of around 3% to 4% was achieved as a result of the three equity offerings conducted after the merger, but what is your future forecast?

Ans. 6

Growth in DPU was achieved as a result of acquisition of properties worth 80 billion to 90 billion yen per year after the merger. We are under the impression that acquisition of properties worth 80 billion to 90 billion yen per year is becoming slightly difficult, yet we will remain conscious of the acquisition pace of 50 billion to 60 billion yen per year which has been our goal since the merger. We believe growth in DPU of around 3% is difficult when assuming an acquisition scale of 50 billion to 60 billion yen per year.

Q. 7

Large equity offerings centering on the acquisition of logistics properties may sometimes be subject to severe pressure, but what do you think of the equity story for future equity offerings?

Ans. 7

As seen in the pipeline, the sponsor is focusing on development of not only logistics properties but also hotels and complex facilities. As a diversified REIT, our aim is to acquire various types of assets.

Q. 8

While there were merits resulting from the implementation of the past three equity offerings in almost the same period, the investment unit price tended to be bearish due to a sense of caution before the announcement of the equity offerings. What is your view on the timing of the equity offerings?

Ans. 8

When it comes to the investment unit price, there may have been a trend as you have pointed out. We are constantly aware of the level of the investment unit price and had an option to postpone equity offerings under severe circumstances. As for the future, the acquisition scale and timing have yet to be determined. We look to consider various options such as property replacements and the utilization of cash on hand by eyeing the timing of property acquisitions.

Q. 9

What was the cause of the downward rent revision for some logistics properties?

Ans. 9

The change in the amount of taxes including property tax was the main cause. There are various contract types for logistics properties and we also own properties whose rents were forced to be reduced upon negotiations with the lessee.

Q. 10

Is there a possibility that the rents of logistics properties will be revised upward?

Ans. 10

It is currently difficult to raise the rent of BTS-type properties, but we will conduct negotiations for rent increase upon the rent revision of properties whose rents are linked to indicators such as property tax. We intend to make efforts to improve the conditions of contracts such as aiming to extend the contract period of properties in an excellent location at the same time since raising the rent of multi-tenant-type properties is relatively easy.

Q. 11

Are you planning to shorten the contract period of logistics properties to further reflect the rent level in the market?

Ans. 11

The contract period is long, but we believe that there is no need to shorten the contract period as the rent will be revised once in a given period.

Q. 12

Will you remain aware of DPU growth by 100 yen when conducting equity offerings to achieve an asset size of 800 billion yen?

Ans. 12

We will not change the initial plan of increasing DPU by 100 yen by conducting equity offerings until we achieve an asset size of 800 billion yen. Upon achievement, we intend to reevaluate our plan from the viewpoint of the new mid-term management plan of the sponsor.

Q. 13

What is your view on the buyback of own investment units?

Ans. 13

We recognize that buyback of own investment units is an effective measure regarding return to unitholders. We have prioritized property acquisition until now as a use of free cash flow of around 8 billion yen per year since we have an extensive pipeline.

Q. 14

What is your policy on selling properties?

Ans. 14

There are about 20 properties listed as candidates to be sold due to reasons such as failing to achieve the expected yield or being situated in inferior locations. Residential properties as well as properties of other asset classes have been listed as candidate to be sold.

Q. 15

Is there a possibility that demand for renewal of facilities at low-temperature logistics properties will increase with the objective of adapting to the new refrigerant in accordance with the regulation on fluorocarbon gas from 2020? Also, are there any merits in low-temperature logistics properties such as having a high NOI yield?

Ans. 15

As of now, we do not plan to acquire low-temperature logistics properties in a proactive manner. In addition, there is a possibility that unit rent will increase, but we do not think that the yield of such properties is particularly high compared to other logistics properties.