

Investor Presentation for the 27th Fiscal Period Ended August 2019 held on October 18, 2019

Major Questions and Answers (summary)

Q.1

You have set stabilized DPU of 5,600 yen as a mid-term target. Assuming the current capital market/real estate market environments, etc. remain unchanged, when do you think the target will be achieved? Will there be a change to the pace of external growth?

Ans. 1

We expect the target of 5,600 yen to be achieved in about three years. As to external growth, since we would like to remain committed to acquiring high-quality properties mainly in the three major metropolitan areas and core regional cities, it will be difficult to conduct acquisition at the current NOI yield of 5.2%. That said, however, we will, of course, seek to acquire properties at an appropriate yield while paying attention to implied cap rates. In the meantime, as the asset size has expanded to a certain degree, we find it difficult to continue raising distribution by 200 yen or over 3% as we have done up to now.

Q. 2

It seems that portfolio risk has been reduced through the selling of properties bearing potential risk of rent reduction. How long did you spend discussing these sales? Are there any other properties that face risk of rent reduction? I believe BTS-type logistics properties have stable rent, but should rent reduction be considered as a future risk for these properties?

Ans. 2

We evaluate properties every six months and discuss portfolio rebalancing. Although there are two or three logistics properties that have requested rent reduction, reduction has not been finalized for any properties.

Q. 3

Is internal growth of residential properties not yet strong enough to boost distribution significantly?

Ans. 3

While residential properties have seen some internal growth, it is difficult to expect internal growth for logistics properties or retail properties, and expenses for repair and such increase alongside the aging of the buildings. For these reasons, it may not be easy to project notable positive factors for internal growth as a whole.

Q. 4

Could you explain the timing for newly drawing up the Mid-Term Growth Strategy?

Ans. 4

We have worked to achieve the target asset size of 800 billion yen that was set upon the merger three years ago. Now that the target is within reach, we've held repeated in-house discussions about the next target and concluded that we should increase distribution continuously to further enhance unitholder value. We decided to set distribution level as the target.

Q. 5

How do you plan to achieve the target DPU? External growth is likely to be the main driving force considering the composition of the portfolio, but will that not make it susceptible to the level of investment unit price at the time of public offering?

Ans. 5

Public offering will be one of the means to procure funds when acquiring large properties, but we will be conscious of NAV level when conducting public offering. Since we have an extensive sponsor pipeline, external growth will be the main driving force for distribution growth, and we will work to improve profitability and stability by replacing properties as we did this time, etc. We would like to consider various schemes for property acquisition.

Q. 6

Do you have any specific ideas concerning property acquisition at present?

Ans. 6

We will consider schemes such as silent partnership investment and bridge funding going forward.

Q.7

Among logistics properties, the market for multi-tenant-type properties has been strong and rent is trending upward. Amid such, since your portfolio centers on BTS-type properties, their rents must be more or less fixed. How do you view the future trends of the leasing market for logistics properties?

Ans. 7

Last year, there was a time when unit price trend of logistics J-REITs was weak amid concerns over

oversupply of logistics properties, but demand actually overtook supply. Although our sponsor's logistics property developments thus far have consisted of BTS-type properties and multi-tenant-type properties at the ratio of about 7:3, the ratio has currently reversed and development of multi-tenant-type properties has progressed especially in the Greater Tokyo area. Therefore, we would like to seek acquisition of such properties while carefully selecting properties that offer the yields we are looking for.

Q. 8

What is the level of yield you have in mind for acquiring BTS-type and multi-tenant-type logistics properties?

Ans. 8

It depends more on the location rather than whether a property is a BTS-type or multi-tenant-type facility. We will put efforts towards acquiring properties with better terms as much as possible.