

Investor Presentation for the 32nd Fiscal Period Ended February 2022

Held on April 18, 2022

Major Questions and Answers (Summary)

Q. 1

While occupancy rates of residential properties were improved in the fiscal period ended February 2022, monthly rent at the time of tenant replacement was only slightly positive. We also saw in the financial results of residential REITs a tendency to relax rent conditions in the latter half of 2021 in order to maintain or improve occupancy rates. What was the situation with DHR? In addition, given that the population of Tokyo has begun to turn into an influx since the beginning of 2022, do you feel that the trend has changed, with demand for residential properties returning and occupancy rates on a recovery trend?

Ans. 1

The occupancy rate of residential properties was 97.6% on average during the period, 0.6 percentage points higher than the forecast of 97.0%, and remained high at 98.4% at the end of the period. As you indicated, the rate of increase in rents has tended to slow down a little compared to the past. We believe this is partly due to the trend of single-person households and students moving to the suburbs. Regarding the changes in monthly rent at the time of tenant replacement, single type units in central Tokyo struggled and rents decreased, while rents increased for family type and large type units, resulting in a net increase of 626,000 yen per month.

We have taken various measures for residential properties with occupancy rates below 90%. Specifically, we took measures with the cooperation of property management companies such as waiving a portion of key money, providing free rent, and increasing leasing costs, and only three residential properties had occupancy rates below 90% at the end of the fiscal period.

Q. 2

The pipeline for property acquisitions continues to be abundant. Going forward, do you intend to maintain the pace of external growth you have achieved so far, or will you focus more on enhancing social values such as ESG?

Ans. 2

We have announced a growth strategy of maximizing unitholder value by multiplying business value and social value. We believe that if either one is good, but the other is zero, the unitholder value is considered to be zero as a result. Our strategy is to work on improving the value of both. In terms of business value, we intend to pursue external growth that leads to DPU growth. However, since the appraisal cap rates have fallen considerably, we plan to carefully select and acquire

properties while assessing each one to see if it will contribute to DPU growth. As it turned out, we have acquired properties of about 80 billion yen per year to date. However, we do not intend to be too particular about the scale of property acquisitions in the future.

Q. 3

The operational status of logistics properties continues to look solid. While the lease contracts terms are long and stable since they are mainly BTS type, is there an opportunity to revise rents at certain intervals from the viewpoint of hedging against significant price increases in the future?

Ans. 3

Tenants in BTS type properties tend to have a rent revision cycle every 4 to 5 years, but it is difficult to actually increase rents at that timing and the rents were revised under the same conditions in the fiscal period ended February 2022. For tenants in multi-tenant type properties, the contract period is as short as 3 to 5 years. For one tenant in multi-tenant type property whose contract has expired, we were able to re-contract with increased rent. In the future, some contracts will expire even with the BTS type tenants, so we can expect cases of re-contracting at rents that match the market level. In the fiscal period ending August 2022, we plan to re-contract with increased rent with two tenants whose contracts are due to expire.

Q. 4

Regarding Agora Kanazawa, one of the hotels, the lease contract has been terminated with the current operator and discussions are underway with a successor operator candidate based on a basic agreement. I assume the situations is still in flux, but what is the outlook for the future?

Ans. 4

We have terminated the agreement with the current operator of Agora Kanazawa and signed a basic agreement with a successor operator candidate. We are now in the process of discussing the terms and conditions. As for the operation, the situation is very difficult at this point. However, Kanazawa is also a tourist destination and the hotel particularly offers mainly twin and double guest rooms. We believe that once the situation with COVID-19 settles and the tourist demand returns, it will head for recovery.

Q. 5

Regarding external growth, it seems that logistics and residential properties will be the main focus for the time being, but what are your thoughts on acquiring retail properties and hotels?

Ans. 5

We have approximately 400 billion yen worth of properties in our pipeline as shown on page 10 of the financial results presentation material. We expect that logistics properties will be the main focus of our future property acquisitions, but we would also consider acquiring retail properties and hotels if the market improves. The sponsor has announced a policy of making large-scale investments not only in logistics properties but also in data centers. As a diversified REIT, we intend to carefully select and acquire quality properties that are needed by society.