Investor Presentation for the 28th Fiscal Period Ended February 2020 Held on April 17, 2020

Major Questions and Answers (Summary)

Q. 1

Is there any change in the portfolio management policy in light of the problems with the novel coronavirus outbreak? Also, you have added retail and hotel properties to the portfolio alongside stable logistics and residential properties. Do you intend to shift focus to logistics and residential properties going forward or are there no strategic changes planned?

Ans. 1

As to the impact of the novel coronavirus outbreak on the portfolio strategy, there is no particular change to the previous stance of utilizing the sponsor pipeline for growth. Although retail and hotel properties are suffering serious, temporary damage from the outbreak, we do not think there is a need for any changes if the duration of the impact of the novel coronavirus is short term.

Q. 2

With the achievement of 800 billion yen in asset size initially targeted upon the merger, what is your policy on future property acquisition? Will you expand the asset size at a slower pace or will you maintain your aggressive stance and aim for 1 trillion yen?

Ans. 2

We achieved the target asset size of 800 billion yen, which we set upon the merger, with the property acquisition in April this year. In the Mid-Term Growth Strategy announced last year, we changed the target so as to aim first for DPU of 5,600 yen going forward. We were able to increase DPU through the equity offering this time, and we will work to achieve DPU of 5,600 yen. In doing so, since we believe that external growth will be the driver for DPU growth, we would like to consider property acquisition that will contribute to DPU growth.

Q. 3

With regard to logistics properties, is there any request for rent negotiation at this point due to the impact of the novel coronavirus outbreak? Is it correct to say that the possibility of rent reduction will remain low in the future as well?

Ans. 3

We have so far received one such request for rent reduction orally from a tenant engaged in logistics for the food-service industry affected by the outbreak.

Q. 4

Concerning hotel and retail properties, if the impact of the novel coronavirus lasts only a short period of time, it does not look like there will be a problem. However, if the impact continues for half a year to one year, to what degree do you expect DPU to decrease?

Ans. 4

As explained in the presentation material, we expect no special impact on 73% of retail properties, which are properties under a sublease-type master lease with a rent guarantee by Daiwa House, the sponsor, or group companies accounting for 59% and land (land with leasehold interest) accounting for 14%. Those that are likely to be impacted are properties under a pass-through-type master lease or a direct lease contract, accounting for 27% of the total. In particular, for those tenants such as sole proprietors who have difficulty in financing, we must prioritize responding to their request as urged by the Ministry of Land, Infrastructure, Transport and Tourism. On the other hand, we are assuming that corporate tenants will not be affected as severely. Even if there should be any impact, you can expect DPU for the 29th fiscal period ending August 2020 to remain unchanged as we have voluntary reserve.

As to hotel properties, we own a total of 7 properties: 4 hotel-only properties and 3 hotels that are a part of multi-use properties that also house retail facilities, etc. Of those, 5 properties are under a fixed rent contract with Daiwa House Group, and thus are considered to face limited risk of rent reduction.