

June 2020 (37th) Period Analyst Meeting

[Date: August 19, 2020]

[Q&A Session Summary]

- Q. When, how and why do you expect the effects of COVID-19, such as the delays in leasing activities, to wear off?
- A. Leasing activities were impacted when businesses put their relocation plans on hold from around March this year, but since the beginning of July, agents have started holding viewings and other market players have started to move in their own ways. We believe that many business managers are not moving to close or downsize offices but rather are adopting a wait-and-see approach because the outlook is unclear. Recently, however, vacancies at the Minami Semba Building are filling up without downtime, as strongly performing businesses establish more bases, and the market is gradually starting to move, led by businesses that are producing good results. Leasing activities for Rise Arena Building are still slow, with some businesses reconsidering whether to open stores, but we suspect there might be a resurgence of activity driven by businesses which start to see a way forward.
- Q. In your view what is the likely route of acquisitions for external growth?
- A. There are still few prime properties coming onto the market. Our main sponsor Tokyo Tatemono appears to be assuming the continued sale of properties in its new medium-term business plan and we therefore expect to acquire properties mainly through this sponsor pipeline.
- Q. Give details of the areas of property acquisitions and target yields.
- A. We intend to acquire mainly offices in Tokyo. Our target yield varies significantly depending on location, but we envisage NOI yield of 4-4.5% and NOI yield after depreciation of 3-3.5%. In the case of rare properties in central Tokyo, yield is likely to be still lower.
- Q. It appears that the rent of a large tenant will be reduced in the fiscal period ending December 31, 2020. Is this due to tenant replacement at Rise Arena Building?
- A. This is not due to tenant replacement at Rise Arena Building. It is downward revision of the rent of a large tenant upon renewal as the rent was high compared to market rents.

- Q. Do you expect the mid-term target of 7,800 yen to be achievable even if there is an increase in fixed property tax and city planning tax?
- A. We drew up the plan based on the assumption of an increase in fixed property tax and city planning tax.
- Q. Explain the factors behind the decrease in appraisal values and your NAV forecast.
- A. The impact of the revaluation of fixed property tax and city planning tax was factored into the value of all properties, causing many properties to be devalued. We plan to achieve steady internal growth, but cash flow growth is limited and so we expect that NAV will also be affected. If possible, we would like to achieve an increase in NAV through accretive capital increase, too.

End