

## Current Effects of COVID19 on Profit Outlook as of May 2020

Since the start of the year to April, we have not seen any marked effect from the COVID19 pandemic on ADR's properties. Key figures, such as **occupancy rate**, **monthly lease-up rate** and **monthly lease termination rate** are all pretty much in line, year-over-year. However, since the declaration of state of emergency in April we are seeing about 40% decline in lease applications from rental seekers due to people's movement becoming restricted. And the same figure is down 50% in May.

With the decline in applications, we expect some decline in occupancy rate going forward, since vacancies will start to take longer to fill. Even then, we believe **we will be able to achieve the initial profit guideline**, since the average occupancy from the start of the fiscal period to May is 96.9% which is +0.3% above the guideline occupancy of 96.6%.

As a reference, a change in occupancy of 0.1% is equivalent to 10 to 15 yen change in DPU.

Concerning the **rent rise in replacement units**, there has been no negative effect from the pandemic as well. On the contrary, we are seeing higher increase compared to the same months last year.

As for request from tenants for **rent relief** of some sorts, there have been virtually no requests from residential tenants, but few requests from commercial tenants for similar treatment for their rent.

We believe the effect of accepting the request from commercial tenants to the profit forecast to be minimal. The share of rent for commercial tenants is around 5% of the total portfolio rent. Within the commercial tenants, eateries and sport gyms that are most effected by the pandemic, only comprises just under 1% of total portfolio. The rest of the commercial tenants are mostly supermarkets and convenient stores which we believe will not be making any requests for rent relief.

### 1. Occupancy

	Jan	Feb	Mar	Apr	May	Period Average (Feb to Mar)	Guideline Assumption
<b>2020</b>	97.0%	97.3%	97.5%	96.5%	96.1%	96.9%	96.6%
<b>2019</b>	97.0%	97.4%	97.8%	96.9%	96.7%	97.2%	96.6%
<b>difference</b>	0.0%	-0.1%	-0.3%	-0.4%	-0.6%	-0.3%	0.0%

### 2. Monthly Lease Up Rate\*

\* The rate is calculated by dividing the monthly leased up area by total leasable area.

	Jan	Feb	Mar	Apr	May
<b>2020</b>	1.3%	1.5%	2.3%	1.5%	1.1%
<b>2019</b>	1.3%	1.5%	2.3%	1.5%	1.3%
<b>difference</b>	+0.0%	+0.0%	-0.0%	0.0%	-0.3%

### 3. Monthly Lease Termination Rate\*

\* The rate is calculated by dividing the monthly lease termination area by total leasable area.

	Jan	Feb	Mar	Apr	May
<b>2020</b>	1.1%	1.2%	2.0%	2.4%	1.5%
<b>2019</b>	1.2%	1.2%	1.8%	2.4%	1.6%
<b>difference</b>	-0.0%	+0.0%	+0.3%	+0.0%	-0.1%