

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

Because we were seeing the number of lease applications declining due to the COVID19 pandemic and worried that occupancies will decline, we increased leasing expenses in June to promote leasing to fill the vacancies. In July, in order to achieve the forecast occupancy rate and NOI, we reduced the leasing expenses compared to the previous month, but instead lowered the level of rent rise to steadily lease-up the vacancies. As a result, we were able to achieve an average period occupancy rate of 96.7%, up 0.1% from the fiscal period forecast of 96.6%. Therefore we believe that we will be able to achieve the dividend forecast for the fiscal year ending July 31, 2020, without any problems.

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

Since the declaration of state of emergency in April, when people started to stay home in earnest lease applications decreased 41.9% in April and 31.1% in May YoY. But with the end of the declaration, we are seeing recovery in application in June with a narrowing of decline to 15.5% and 16.5% in July. However, the situation continues to be unpredictable due to the COVID19 infection resurgence.

Concerning the **rent rise in replacement units**, the rate of increase fell below the same month last year for the first time this year in July. This was because we gave priority to maintain the occupancy rate, therefore, the rate of rent increase was suppressed. The situation continues, as we are seeing resurgence in the COVID19 infection, rate of rent increase is likely to be lower moving forward.

There are no new cases of rent reduction or exemption. Although there are some requests for rent reductions and exemptions from the residential tenants, we have not accepted any of the request as of date.

### 1. Occupancy

|                   | Jan   | Feb   | Mar   | Apr   | May   | June  | July  | Period Average (Feb to Mar) | Guideline Assumption |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-----------------------------|----------------------|
| <b>2020</b>       | 97.0% | 97.3% | 97.5% | 96.5% | 96.1% | 96.2% | 96.3% | 96.7%                       | 96.6%                |
| <b>2019</b>       | 97.0% | 97.4% | 97.8% | 96.9% | 96.7% | 96.9% | 97.0% | 97.1%                       | 96.6%                |
| <b>difference</b> | 0.0%  | -0.1% | -0.3% | -0.4% | -0.6% | -0.7% | -0.7% | -0.4%                       | 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   | June  | July  |
|-------------------|-------|-------|-------|------|-------|-------|-------|
| <b>2020</b>       | 1.3%  | 1.5%  | 2.3%  | 1.5% | 1.1%  | 1.4%  | 1.6%  |
| <b>2019</b>       | 1.3%  | 1.5%  | 2.3%  | 1.5% | 1.3%  | 1.6%  | 1.5%  |
| <b>difference</b> | +0.0% | +0.0% | -0.0% | 0.0% | -0.3% | -0.1% | +0.1% |

### 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   | June  | July  |
|-------------------|-------|-------|-------|-------|-------|-------|-------|
| <b>2020</b>       | 1.1%  | 1.2%  | 2.0%  | 2.4%  | 1.5%  | 1.3%  | 1.5%  |
| <b>2019</b>       | 1.2%  | 1.2%  | 1.8%  | 2.4%  | 1.6%  | 1.4%  | 1.4%  |
| <b>difference</b> | -0.0% | +0.0% | +0.3% | +0.0% | -0.1% | -0.1% | +0.1% |