

Current Effects of COVID19 on Profit Outlook as of June 2020

Although we are seeing decreased number of lease applications due to the COVID19 pandemic, we were able to steadily lease-up the vacancies by relaxing the leasing terms. As a result, we were able to maintain the average occupancy rate above the forecast occupancy rate. We therefore believe, we will be able to achieve the dividend forecast for the fiscal year ending July 31, 2020, without any problems.

Since the start of the year to April, key figures, such as **occupancy rate**, **monthly lease-up rate** and **monthly lease termination rate** had been all pretty much in line, year-over-year. However, since the declaration of state of emergency in April, when people started to stay home in earnest we had seen lease applications decrease 41.9% in April and 31.1% in May. But with the end of the declaration, we are seeing recovery in application in June with a narrowing of decline to 15.5%. We expect this recovery trend to continue into July.

The average period occupancy rate is +0.1% above the fiscal period forecast of 96.6% at 96.7% as of June. We will be able to achieve the initial profit guideline if the occupancy rate in July is 96.1% or higher.

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**, the rate of increase is still higher than the same month last year.

Although there are some requests for rent reductions and exemptions from the residential tenants, we have not accepted any request for the moment. On the other hand, we have responded to a temporary reduction in rent from four restaurant tenants that were particularly affected by COVID19 and had to suspend operations during the crisis. We also accepted rent grace period for three fitness gym tenants. The former is about 0.1% of the rent in June 2020 for the entire portfolio, and we therefore believe that **the impact of rent relief due to the pandemic on the fiscal period results will be minor.**

1. Occupancy

	Jan	Feb	Mar	Apr	May	June	Period Average (Feb to Mar)	Guideline Assumption
2020	97.0%	97.3%	97.5%	96.5%	96.1%	96.2%	96.9%	96.6%
2019	97.0%	97.4%	97.8%	96.9%	96.7%	96.9%	97.2%	96.6%
difference	0.0%	-0.1%	-0.3%	-0.4%	-0.6%	-0.7%	-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	June
2020	1.3%	1.5%	2.3%	1.5%	1.1%	1.4%
2019	1.3%	1.5%	2.3%	1.5%	1.3%	1.6%
difference	+0.0%	+0.0%	-0.0%	0.0%	-0.3%	-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
2020	1.1%	1.2%	2.0%	2.4%	1.5%	1.3%
2019	1.2%	1.2%	1.8%	2.4%	1.6%	1.4%
difference	-0.0%	+0.0%	+0.3%	+0.0%	-0.1%	-0.1%