

Questions & Answers at the Presentation Meeting For the Results of the Fiscal Period Ended July 2020

Date & Time: 16:30 - 16:45, September 18, 2020
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Occupancy Rate Related Questions

Q1.

Do you think the decline in occupancy rate is structural or temporary? Are you planning to spend extra leasing cost to raise occupancy?

A1.

The decline in the occupancy rate is believed to be mainly due to a decline in corporate lease applications, as the state of emergency restricted the movement of people and temporarily suspended personnel transfers.

After the state of emergency was lifted, number of lease applications have returned to the same level as the previous year, so unless we see another widespread outbreak, we believe the occupancy will return to around 96.3%.

The leasing cost was increased 1.5 times as much as usual for a while, but now returned to normal. Going forward, our leasing strategy will be to suppress the increase in rent, rather than spending more on leasing costs, therefore, we expect to see that the rent increase for the current FP will decline.

Dividends Related Questions

Q2.

You have told us that achieving DPU of 5,600 yen will be delayed by one year because you expect the occupancy rate to decline and the rent increase will be suppressed. Will you accelerate the acquisition of sponsored properties to help raise the DPU?

A2.

Since the market cap rate continues to be compressed and be lower than our portfolio's average yield, I do not think the current environment is the time to accelerate acquisitions. The business model of sponsors is to sell about 5 billion yen a year on average. We have just lowered the LTV to 48% last year through equity financing and I would rather like to keep the LTV low by utilizing cash from depreciation and moderate use of debt to acquire those assets. We will continue to be disciplined in our acquisitions going forward and utilize asset replacement opportunities to maintain NOI with the acquisition and raise the DPU by distributing the gain on sale.

Q3.

If the EPU falls below the earnings forecast of 5,180 yen, will the negative goodwill be additionally drawn down to maintain the distribution as forecasted?

A3.

Basically, I think drawing down additional negative goodwill or increasing leverage in order to protect distributions should be our last measures. On the other hand, if the EPU goes down substantially, we will consider additionally drawing down the negative goodwill, but I think it is still premature to make any decision at the moment.

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