Investor Presentation for the 23rd Fiscal Period Ended August 2017 held on October 19, 2017
Major Questions and Answers (summary)

Q. 1

Asset replacement was conducted through sales of residential properties and acquisition of retail properties during the fiscal period ended August 2017. Do you intend to proactively conduct asset replacement going forward as well? Relatively old residential properties were sold this time. What are the criteria for selecting candidate properties for sale? What is the replacement strategy?

Ans. 1

The residential properties sold at this time were selected through comprehensive assessment of conditions such as acquisition price being less than 1 billion yen, risk of lease cancellation due to leasing to a single tenant and such, building age, location and specifications. It was decided that selling such properties while the real estate market is booming would reduce future risk. Going forward, we will consider sales of properties that contribute less to NOI ahead of others, but do believe it would be ideal if these sales occurred simultaneously with acquisition of properties so as to make up for the decrease in NOI resulting from sale.

Q. 2

What would be the pace of external growth going forward?

Ans. 2

We would like to acquire properties while limiting as much as possible any adverse impact to the current portfolio's NOI yield (5.2%) and NOI yield after depreciation (3.9%). The acquisition in April was made with an NOI yield of 5.1% and NOI yield after depreciation of 3.9%. Since market cap rates are on a further declining trend, it has become difficult to acquire logistics properties with an NOI yield of 5.2% in Greater Tokyo. On the other hand, Daiwa House Group, the sponsor, is engaged in developments in areas other than Greater Tokyo and owns various types of assets. When acquiring properties, we would like to bring the figures close to the target NOI yield level by combining areas or other asset types. Our greatest strength is sponsor support, and in utilizing it we would like to acquire 50 to 60 billion yen of properties each year.

Q. 3

Will the policy of continued commitment to growth of DPU be maintained?

Ans. 3

Property acquisition requires fund procurement through public offering or loans, and it is our intention to maintain the policy of aiming for growth of DPU when conducting public offering. Use of cash on hand as well will be considered.

Q. 4

What sort of requests or topics are brought up in daily interactions with tenants of logistics properties? Have they requested securement of human resources, introduction of automated equipment or lowering of rents?

Ans. 4

We occasionally receive requests to lower rents, but we maintain an amicable relationship with tenants by implementing measures that provide benefit, such as installation of LED lighting. We have not received any specific requests concerning securement of human resources, introduction of automated equipment or such, but have heard that such needs are mounting in the market in general, mainly in Greater Tokyo.

Q. 5

Within aiming for external growth of 50 to 60 billion yen each year, how do you view the current investment unit price level? What is your stance towards a discount public offering (public offering at a discount to NAV) and the external growth scenario based on such?

Ans. 5

We realize there are pros and cons to a discount public offering. The investment unit price is determined by the market and is not under our control, but it is our policy to maintain the stance of acquiring properties and aiming to raise DPU. I will not comment on the possibility of conducting a discount public offering.