◇Q&A◇

What do future shifts in office rent look like in Tokyo and Osaka?

In Osaka, the market vacancy rate is currently being updated to its lowest ever (*) at 2.5%, which we expect will continue. From 2022 onward, several large buildings are planned to be supplied in series, but the current outlook for the market is strong and, for the time being, we believe there will continue to be good demand. In fact, the vacancy rate of our building is almost at 0%, excluding the scheduled rebuilding of Midosuji Daibiru Building, and in terms of rent renewal, most have achieved price increases both this year and last year. On the other hand, Tokyo's current vacancy rate is even lower than that of Osaka at 1.8%, which again is the lowest ever (*), but we cannot be too optimistic since the market will see the supply of large buildings going forward. Our vacancy rate in Tokyo stands at 0.6%, excluding the scheduled rebuilding of Yaesu Daibiru Building, though it cannot be said that rent renewals are reflecting the low vacancy rate at present.

*Since the Lehman Brothers Collapse

Is the acquisition of the Nihonbashi 3-Chome Building included in the determined investment amount of 11.0 billion yen covered on P.29 of the briefing material? What is the yield of the property?

Yes, it is included in the 11.0 billion yen, but the value of the Nihonbashi 3-Chome Building acquisition is confidential and further details cannot be discussed here. More than half of the 11.0 billion yen is the acquisition value of the building, while the remaining includes increases in equity ownership of existing properties and Akihabara Project (tentative name) construction costs. The yield of the Nihonbashi 3-Chome Building is more than 3%.

Will the Nihonbashi 3-Chome Building accommodate tenants of Yaesu Daibiru Building as a result of its scheduled rebuilding? Also, what about the positioning of this property, in terms of integrated development with the surrounding areas?

We acquired the Nihonbashi 3-Chome Building in April, after many negotiations from last year. With the progress of large-scale development in surrounding areas, we believe there will be an opportunity in future for us to undertake redevelopment and the like in this building area. As it is very close to Yaesu Daibiru Building, we expect to see synergetic effects, though not immediately. With stable profits by renting out the entire building, this is also ideal as an independent profit property.

What about the yield of 275 George Street? Is it likely rent will rise along with the market?

We entered a sale and purchase contract concerning 275 George Street in August last year but had been gathering information for Sydney and Melbourne before that time. It took a lot of persistence to secure this contract because of difficult circumstances due in part to the fact that it was an overseas transaction. Though we cannot discuss details, we have been successful in attracting tenants and, in terms of yield, we expect the property to greatly surpass investments in Tokyo.

Other companies seem to be selling real estate and allocating the subsequent collected funds to shareholders. Is there any flexibility to review the Medium-term Management Plan to include this as well?

The Medium-term Management Plan defines an investment limit of 120.0 billion yen in total for Japan and overseas, though this is not necessarily set in stone. If we find a good large-scale property in CBD（Central Business District）, we may invest in it even if it goes beyond this limit. Our target value is 120.0 billion yen, but we will make sure to watch market trends and, after careful examination, invest in individual properties as we did with 275 George Street and the Nihonbashi 3-Chome Building.

Is the projected DE ratio of 1.2 (in FY2027) in the Medium-term Management Plan an outcome of the 120.0 billion yen investment? Or do you aim to stay within that investment amount?

The DE ratio will increase to about 1.1 (of FY2022) if we make an 120.0 billion yen investment as laid out in the Medium-term Management Plan. This implies that finance will still be at a stable level even if we make an investment of this size. On the other hand, this does not mean, that we will not invest more than that amount. If we do invest more than 120.0 billion yen, the DE ratio may increase to 1.2 or 1.3. The point here is, if we find a good property, we will invest in it.

What is the current situation of property acquisition overseas?

Our focus area is Australia and currently we are searching for another property to follow 275 George Street. So far, this has been done on business trip basis, but we now consider to send our staff to open a local office there. Not only Sydney but Melbourne would be a candidate. As it is an overseas market, we want to proceed carefully.

If you find an attractive property in Australia, will you invest in it even if the amount of the investment is large?

With regard to the overseas business, we have decided to invest about 20.0 billion yen up to the end of April 2019, which is shown on P.29 of the briefing material. 275 George Street roughly reflects this amount. If we find a larger property, the investment amount may go up accordingly. However, if the property is attractive enough to satisfy our requirements, we want to proceed forward.