

Advance Logistics Investment Corporation

Financial Results Briefing for the Fiscal Year Ended July 2022 Q&A

Date & Time : September 15, 2022 15:15-15:45

Speaker : Junichi Shoji, CEO of ITOCHU REIT Management Co., Ltd.

Q1 : Do you plan to maintain your policy of growing DPU by 4% to 5% per year? What measures could be considered, while internal growth may be limited for there are not many lease contracts up for renewal in the near future and interest rates paid are not realistically expected to fall further?

A1 : We plan to continue to target a growth rate of 4% to 5% per year through a combination of internal growth, external growth, and other measures. In addition to continuing to discuss with the sponsor which properties to be acquired and its price, we intend to continue to implement various initiatives to achieve growth, including the reduction of management fees starting from the 9th fiscal period.

Q2 : What is your future LTV perspective and fundraising policy, while I assume that one of the ways to maintain a certain DPU growth would be to use leverage.

A2 : We intend to maintain LTV at a maximum level of about 45%, while expanding asset size to 200 billion yen. However, given the current volatility of the financial environment, we do not intend to raise LTV unnecessarily, but will consider financing while effectively using free cash, given that the asset size has reached a certain volume.

Q3 : I understand that information on industrial properties other than logistics warehouses is increasing. Is this an effect of the merger of asset management companies? Please tell us about the progress of industrial properties acquisition.

A3 : The increase in property information is partly due to the enhancement of the ADL's property acquisition system by strengthening the personnel, but we also believe that the merger has had a significant effect by enabling them to collect property information from a wide range of sources, including private integrated REIT, without being restricted by asset type. In addition to having the information obtained by the integrated REIT provided to ADL, ADL is now able to directly connect with the source of that information, creating various synergies. The number of logistics (including industrial) properties information has doubled compared to the pre-merger monthly average. Currently, the main specific projects under consideration are factories.

Q4 : A private REIT has also been launched by the merged asset management company. Please tell us the difference between the stance of the private REIT and ADL on property acquisitions and priority on property acquisitions if any.

A4 : In terms of the order of consideration for logistics and industrial properties, listed REIT, ADL, have the priority. Therefore, when information on logistics and industrial properties is obtained by private REIT or Advance Residence Investment Corporation, it will be considered first by ADL. For logistics or residential properties, if the listed REIT turns down the information for some reason, the private REIT will consider the information next. However, it is not easy for a privately REIT to acquire such rejected property.

Q5 : What kind of property you mean by industrial type.

A5 : Specifically, this refers to assets such as factories and data centers. The company's investment policy is to invest at least 80% in logistics warehouses and the remaining 20% or less in industrial assets, which are other types of real estate.

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