

**Advance Logistics Investment Corporation**

**Financial Results Briefing for the Fiscal Year Ended August 2023 Q&A**

Date & Time : October 17, 2023 15:30-16:10  
Speaker : Tomoyuki Kimura,  
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**Q1 : What are the reasons why ADL has not yet implemented the purchase of its treasury units? Is it that the unit price is not low enough yet, or is it a question of size, or how to do it? Please let me know what the policy is.**

**A1 :** We are considering various measures, not limited to acquisition of our treasury units. If we want to increase the price of investment units, the most obvious measure would be to increase distributions, but in the past, additional acquisition of investment units by sponsors in the market has also been conducted to directly influence the market. In addition to this, we are also considering the acquisition of our treasury units in a comprehensive manner.

We are considering how to respond to the target investment unit price and timing through thorough internal discussions.

**Q2 : With regard to borrowing costs, given that as of July of last year, it was averaged 0.47% and have risen to 0.6% at the end of the current period (end of August 2023), what is your policy regarding future debt cost targets, or to what extent you would like to control them? Also, please tell us about the impact on the DPU if it rises from 0.47% to 0.6% in one year.**

**A2 :** First, since there will be no refinancing for the time being until the fiscal year ending February 2025, the impact of the current rise in interest rates is very limited. Based on this, in terms of simulation, if the current 0.6% were to rise 1.5 times to 0.9%, we estimate that the impact on distributions would be over 120 yen. However, we believe that it is unlikely to rise to this level all at once, and if such a situation were

to occur, we would consider introducing a variable interest rate in part to keep costs down.

**Q3 : I believe that external growth is basically focused on properties developed by sponsors, but ADL has acquired its first external/third-party property this time. Please tell us about your efforts to acquire information on external/third-party properties, whether they are developed independently by the asset management company or brought in from the outside.**

**A3 :** The asset management companies have merged, and we now handle three REITs, including a comprehensive private REIT and Advance Residence Investment Corporation, which specializes in residential properties, as well as a private fund. As a result, the amount of information we receive has increased dramatically.

For example, as mentioned in the Matsue property, we have been able to acquire properties in collaboration with sourcing partners developed by the asset management company. We are working hard to obtain and acquire property information while utilizing diverse routes in this way.

**Q4 : You have mentioned the 2024 issue in terms of regional properties as relay bases, but can you tell us if there are any properties that are expected to be acquired as such at this point?**

**A4 :** There are some local properties as relay bases, etc., that have been brought in and are being considered. However, we have not yet reached a point as to when we will actually be able to acquire them at the moment.

**Q5 : You have emphasized the fact that there is no downtime in terms of internal growth. What do you consider to be the strength of your interaction and relationship with tenants in terms of no downtime or internal growth capability in general?**

A5 : A leasing management agreement has been concluded with ITOCHU Corporation, the sponsor of the property, and ITOCHU Urban Community has been entrusted with the PM and BM functions, thus the three parties are working in unison within the ITOCHU Group. In our daily interactions with tenants, we are in close communication with them even before specific negotiations for re-signing a lease have begun, so we are able to obtain information early on about the possibility of tenants moving out and, in that case, whether other companies are interested in moving in. We believe that these daily communications and relationships have resulted to date in re-signings and retenancies with no downtime.

**Q6 : As mentioned in the previous question, if we assume that debt costs will rise, it will be necessary to hedge against this on the asset side, but is there any room for changing existing lease contracts in terms of internal growth to comply with inflationary conditions?**

**For example, in the explanatory materials, there are descriptions of short-term contracts and clauses that include revisions for price fluctuations. If debt costs were to rise in the future, how would you respond not only to rent increases in the logistics real estate market, but also to hedging against financial market factors?**

A6 : We recognize that there is a positive rent gap (contract rent < market rent) in 11 to 12 out of the 13 properties we own. In addition, we believe that the most recent rent increase in re-signings was achieved through discussions with tenants based on price fluctuations, in addition to market rent increases, and that they have understood the situation.

Furthermore, we have similar discussions with the three tenants with whom we are currently negotiating re-signings, and we recognize that if they were to accept a 5% rent increase, the DPU impact would be approximately 1% or more. Therefore, we believe that the increase in debt cost can be absorbed.

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