United Urban Investment Corporation

Q&A Session

Financial Results for the 45th Fiscal Period Ended May 31, 2026 (Web Meeting)

Speakers:

Junichi Batai, President and Chief Executive Officer

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*Page numbers refer to the presentation material for the 45th fiscal period ended May 31, 2026.

Q1: (Page 4 of the financial results presentation material) I would like to ask about your future property dispositions and asset recycling. You have properties for potential disposition with a total book value of approximately ¥85.0 billion. Is it reasonable to assume that you will continue asset recycling through property dispositions after the current medium-term growth strategy period ending November 2027? As you have set an upper limit on property dispositions through the fiscal period ending November 30, 2027, we assume that you will dispose of properties worth ¥27.0 billion to reach this limit. Is there a possibility that you could exceed the upper limit, or do you intend to control the pace of disposition depending on gains on sales and DPU trends?
A1: As we have set an upper limit of ¥90.0 billion on dispositions during the medium-term growth strategy period ending November 30, 2027, our basic policy is to keep dispositions within that limit. After that, we will continue to dispose of properties in consideration of their profitability and other factors. We dispose of properties at the most appropriate timing in view of market conditions and not solely for the purpose of controlling DPU. However, we may use gains on property sales to supplement DPU in order to achieve our DPU target of over ¥9,000.

Q2: (Pages 19 and 20 through 23) Regarding the growth outlook for each asset type, offices rather than hotels appear to become the primary driver of internal growth over the next year, based on the projected changes in DPU for each period. As the asset management company, do you think hotels have greater potential for internal growth over the medium to long term than offices, even if the profit growth of hotels may temporarily slow?
A2: While the internal growth of hotels is expected to slow from peak levels in the past, we still believe they will be a growth driver. This is why we plan to make large-scale, value-add investments in hotels during the growth strategy period. We have also achieved internal growth of office and residential properties through rent increases upon tenant replacements and lease renewals. Accordingly, we aim to achieve growth across the entire portfolio.
Q3: (Page 12) Your latest acquisitions have been two healthcare facilities. Going forward, will you be considering the acquisition of assets with high yields and stable revenues, or given that you are in a growth investment period, will you be seeking to acquire assets whose rents are expected to be increased, even if they do not offer high yields at acquisition? What is your policy on future property acquisition?
A3: We invested in healthcare facilities deeming that their expected high demand and stable rental income will support our operating revenues from rental business. We believe that healthcare facilities are easier to secure higher yields than residential properties as only limited market players seek to acquire them, and as such, we will consider investing in attractive healthcare facilities. At the same time, we will also acquire hotels and other inflation-resilient assets such as office buildings and residential properties, in a balanced manner.

Q4: (Not described in the financial results presentation material) At the previous financial results briefing, underlying annual EPU (excluding gains on sales) was in the mid-7,000 range, and you discussed your aim to move closer to ¥8,000 during the medium-term growth strategy period. Is it correct that you have lowered your EPU target for the medium-term growth strategy period?
A4: Underlying annual EPU is currently in the mid-¥7,000 range. Our target to reach ¥8,000 through external and internal growth during the medium-term growth strategy period remains unchanged. At the same time, to significantly grow EPU after the medium-term growth strategy period, we will set a growth investment period, make large-scale investments, and thereby secure an earnings base for the future. As we are making large investments in hotels, there will be periods in which profit from rental activities will temporarily decrease such as due to higher repair and maintenance costs and suspension of sales from value-add investments. However, such decrease in profit may be sufficiently offset by future gains on sales.
Q5: (Page 4) To the extent possible, please elaborate on what kind of assets are in the acquisition pipelines. For example, do hotel leases have high percentages of variable rent, are retail properties ones whose tenants are planned to be replaced, and are there any particular asset types you would like to prioritize in your acquisitions?
A5: Hotels have the highest share, and they all adopt variable rents as protection against inflation. Retail facilities are ones that are large-scale, whose rents are fixed, and that are located in areas where sales are increasing and rent increases can be sought at future contract renewals. In considering acquisitions, we will maintain our current asset composition, without focusing on specific asset types.

Q6: (Pages 7 and 8) What are the assets you will be focusing your value-add investments on? What are your thoughts on investment efficiency? With construction costs increasing, will the investments deliver their expected benefits? Please elaborate on the details of construction projects if possible.
A6: We will make value-add investments mainly in hotels. As hotels are highly sensitive to economic conditions and thus tend to deliver their expected benefits early on, we prioritize our considerations on them. However, we are also considering investments in office buildings, residential properties, and retail properties, and selecting properties for which we believe a 10% ROI can be achieved.
Q7: (Page 13) You have acquired BOUNCEE by RIHGA Fukuoka Hakata. Are you currently engaged in any other similar development projects, and will there be more such projects moving forward? Are there no concerns about declines in the yields of development-type properties when construction and personnel costs increase in an inflationary environment?
A7: We will give a certain level of consideration to acquiring development-type properties if opportunities arise going forward. Development projects whose returns justify their costs are limited due to surging construction costs, but we will make considerations by leveraging our sponsors' expertise.
Q8: (Page 14) Do you have any set criteria for considering the acquisition of treasury investment units?
A8: We acquired treasury investment units in 2024 as the NAV multiple was thought to remain in the low 0.8x range at that time. We view a NAV multiple in the low 0.8x range as one guideline. With the NAV multiple continuing to be below 1.0x, we will monitor it relative to the potential yields of properties in the acquisition pipelines and engage in initiatives that will contribute significantly to EPU and DPU growth.