United Urban Investment Corporation

Q&A Session

Financial Results for the 44th Fiscal Period Ended November 30, 2025 (Web Meeting)

Speakers:

Junichi Batai, President and Chief Executive Officer

Shuichi Kamizono, Managing Director and Executive Officer, Chief Financial Officer

Masayuki Takamura, Director and Executive Officer, Chief Investment Officer

*Page numbers refer to the presentation material for the 44th fiscal period ended November 30, 2025.

Q1: (Page 7) This time, you have announced a policy to actively allocate funds from the sale of Shinsaibashi OPA Honkan toward value-add investments. We would like to ask about the growth outlook for these value-add investments: can we expect them to contribute to EPU or DPU more than property acquisition, or are they intended to maintain property value?
A1: Our plan is to implement value-add investments totaling ¥15-20 billion. These investments aim to enhance the value of properties for which future revenue can be secured and rent increases are expected, even if the buildings are older. Furthermore, we aim for an ROI of 10% or higher as the target for value-add investments. We intend to implement investments that generate after-depreciation profit exceeding the current portfolio yield, thereby driving overall growth.
Q2: (Page 4) We would like to ask about future property acquisitions. Do you plan on prioritizing properties in central Tokyo areas where rent increases are expected even if the yield is somewhat lower, or will you focus on securing yield?
A2: Our current pipeline is approximately ¥60 billion. We aim to acquire properties with a balanced mix of uses and locations, avoiding concentration in specific uses or areas. However, given the inflationary environment, we also intend to actively pursue properties with variable rent clauses and those in central Tokyo areas where future rent increases are anticipated.

Q3: (Page 24)
Given that borrowing costs for new loans are expected to rise going forward, I would like to ask about your policy: will you raise LTV cautiously, or will you actively pursue borrowing opportunities and public offerings to swiftly acquire pipeline properties?

A3:
Rising borrowing rates have increased our overall funding costs. While the public offerings conducted in November 2025 allowed us to slightly lower our LTV levels, we intend to proceed cautiously going forward. This means we will not recklessly raise LTV to acquire properties but will instead utilize our existing acquisition capacity. Regarding future public offerings, we will make decisions based on market conditions. Considering the current yields of our pipeline and the investment unit price, we will pursue scale expansion through public offerings if we can acquire properties that contribute to DPU.

Q4: (Page 4)
Given the sharp rise in interest rates, we would like to ask about your future policy for building the future acquisition pipeline: will you pursue acquisitions with higher expected yields than before, or will the current expectation remain unchanged?

A4:
The current pipeline's projected yields are accumulating at levels exceeding our implied cap rate. Moving forward, we intend to acquire properties that not only surpass the implied cap rate but also prioritize quality and offer potential for rent increases in an inflationary environment, rather than solely pursuing yield.

Q5: (Page 15)
You mentioned that the impact of China's travel restrictions on hotels is approximately 10%. Could you elaborate on the current situation, countermeasures, and the medium-term outlook?

A5:
RevPAR was trending at 110-120% year-on-year before China's travel restrictions. Recently, however, some hotels in Osaka and Tokyo with a high proportion of Chinese guests have seen year-on-year declines. This resulted in an overall RevPAR of approximately 105% year-on-year. Looking ahead, we are viewing our budget somewhat conservatively and aim to achieve it by capturing demand from inbound tourists other than Chinese visitors.

Q6: (Page 19) You mentioned that office rents are rising not only in Tokyo but also in major cities like Osaka. While demand remains strong and we see no immediate concerns, we would like to ask about your outlook: how long do you expect this upward trend to continue, and is there a ceiling in sight?
A6: The office rent gap is widening in the six central wards of Tokyo and regional areas. Our budget does not factor in rent increases due to this gap. Therefore, closing this gap would represent upside potential for DPU. For the 44th fiscal period ended November 2025, we are tracking a net increase rate of +5.8% for tenant replacements and a net increase rate of +6.8% for lease renewals. We will strive to achieve increases above these levels.
Q7: What is the projected normalized EPU for the one-year business forecast period, excluding gains on sales and increased repair costs due to value-add investments?
A7: The normalized EPU excluding gains on sales is currently around the mid-¥7,000 range annually. Looking ahead, considering inflation-driven rent increases, effects of asset replacements, and potentially the effects of public offerings, we will do our utmost to bring the EPU as close as possible to ¥8,000 over the remaining two years of our current medium-term growth strategy.
Q8: (Page 4) If additional gains on sales in future property sales are realized, will the entire amount be returned to unitholders as dividends?
A8: Our policy is to return the gains on any additional sales in the fiscal period in which they are realized.