

This document was prepared based on statements made at the earnings announcement meeting held on July 22, 2024 (Monday), and should not be construed as a solicitation for investment in the Investment Corporation. Moreover, please understand that we shall not be held liable for omissions and errors of data and phrases used in this document. Furthermore, opinions and forecasts indicated in this document are the Investment Corporation's judgment as at the time this document was prepared. No assurances or promises can be given regarding the accuracy and certainty of this information, and it can be modified without prior notice.

## **Main Q&As at the Fiscal Period Ended May 2024 (37th Fiscal Period) Earnings Announcement of Daiwa Office Investment Corporation (DOI)**

Date and Time: 17:00-17:35, July 22, 2024 (Monday)

Presenter: Yoshiki Nishigaki, President and Representative Director

Jun Abe, Deputy General Manager of Acquisition and Asset Management Division

Daiwa Real Estate Asset Management Co. Ltd.

\*Questions are presented in sequential order.

**Q1. Please provide details on the background behind the sale of “Daiwa Tsukishima”, the leasing situation, and sales activities.**

(Answer)

Regarding Daiwa Tsukishima building, the location had become more suitable for residential use than for offices, so we were having difficulty leasing it for use as an office. Therefore, we decided that it would be better to sell the property and manifest unrealized profit, rather than reducing the rent slightly and backfilling the vacant space, and so we conducted sales activities.

We made a proposal to the developer, anticipating that a condominium for sale would sell at the highest price, but the price did not increase due to height restrictions which was not suitable to build a tower condominium. We negotiated with various other vendors, and Daiwa Securities Realty was the one that offered the highest price, so we decided to sell the property.

**Q2. The occupancy rate for the entire portfolio, both actual and forecast, continues to be favorable, but is it correct to understand that the sales activity is winding down?**

(Answer)

As you are aware, we have been able to maintain high occupancy rates in our portfolio as a whole. However, while good areas such as Shibuya are expanding, some areas are still lagging behind.

We will not completely stop our sales activity, but will always consider it as an option and explore the best option for the Investment Corporation. At this point, there are no specific discussions in progress.

**Q3. Regarding “Daiwa Akihabara” development described on page 10 of the financial results**

**presentation, please provide specific details regarding the change in the construction plan.**

(Answer)

As we were involved in the “Daiwa Akihabara” from the development and design stages, we (1) increased the total rentable area, (2) upgraded the entrance and private areas, and (3) changed specifications to reduce building maintenance costs, at some cost. As a result of these efforts, we were able to achieve early closing at a high rental rate.

**Q4. Regarding the leasing of “Daiwa Akihabara”, please provide the factors that received high evaluations from the tenants and the attributes of the tenants.**

(Answer)

Since there are many old and small buildings in the Akihabara-Kanda area, we succeeded in attracting tenants who wanted to move to newer buildings or larger areas due to their strong business performance, but did not want to move from the same area.

In terms of attributes of the area, there are many IT and game-related companies, which are unique to Akihabara.

**Q5. Regarding the leasing of “Daiwa Sasazuka Tower”, please provide the reasons for the increase in the unit rent, tenant attributes, and area characteristics.**

(Answer)

Since the previous tenant's unit rent was lower than the market rent by a certain degree, we were able to conclude the contract at a high rent unit price comparable to the market.

As for the area, we were able to successfully bring in such tenants, as the area has a satellite demand from Shinjuku and is preferred by many IT-related companies.

**Q6. On page 6 of the presentation, the 40th and 41st fiscal periods are listed as the cruising period. Also, considering the strength of internal growth going forward, is it correct to understand that "EPU of 6,850 yen" is more nuanced as a passing point than a goal?**

(Answer)

We have been talking about returning EPU to 6,850 yen in the 41st fiscal period based on EPU alone, but due to contributions from internal growth, we expect to be able to bring this forward somewhat between the 40th and 41st fiscal periods.

Going forward, we intend to further strengthen internal growth towards EPU of 7,000 yen, and recognize EPU of 6,850 yen as a milestone.

**Q7. What are your priorities and thoughts on the use of funds in the future, i.e., acquisition of own investment units, repayment of borrowings, and acquisition of new properties?**

(Answer)

We will continue to consider acquisition of our own investment units. As an investment management company, we recognize that the current low unit price is very problematic, so we will first carefully examine the results of this acquisition of our own investment units.

If we were to repurchase our own investment units again next time, we would need to consider repaying the loan at the same time in light of the LTV level.

We believe that the three priorities will vary depending on the availability of properties that fit our acquisition target, the yields of those properties, and the quality of the properties, and we will make our decisions taking into account various factors.