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## **Main Q&A in the 12<sup>th</sup> Fiscal Period Earnings Announcement**

Date and Time: 15:30~16:30, January 16, 2012 (Monday)

Presenter: Akira Yamanouchi / President and Representative Director

Daiwa Real Estate Asset Management Co. Ltd.

\*Questions are presented in order of sequence.

**Q1. In your view, how far will the constant dividend per unit recover as a result of termination of free rent periods and reduction of interest rate costs, if the business environment remains unchanged?**

We should be able to anticipate dividend per unit to increase by slightly less than 1,000 yen due to the termination of free rent periods, on the premise there is no rent reduction or move-out and the occupancy rate stands at 90%. Moreover, a further increase of 500 to 800 yen in dividend per unit could be expected, if free rent periods granted are shortened and the occupancy rate rises to 95%. A negative contributing factor is the rent gap that still remains. However, we consider the tenants for whom rents were reduced as rather few, accounting for only around 4% of the total leased space and the reduction rate is small.

**Q2. Half of the portfolio of Daiwa Office Investment Corporation (hereafter, "DOI") is comprised of properties with a building age of 20 years or more. Against this background, can you keep such properties attractive?**

As for medium-sized office buildings, we don't believe building age makes any difference after 20 years. The competitiveness of properties with a building age of 20 years or more stems from building specifications, such as air-conditioning systems, washrooms and entrances, which can be maintained by making certain investment for renovation work. Even buildings such as Daiwa Ginza that were built more than 40 years ago should be able to retain a high level of competitiveness, if they have solid building frameworks and are kept invested to a certain degree.

**Q3. As you implement leasing with an aim to achieve occupancy rate of 95%, and as a REIT without sponsorship of any real estate company, how are you going to reinforce your leasing activities in collaboration with your sponsor?**

Daiwa Real Estate Asset Management has established the Marketing Department in order to strengthen collaboration with the sponsor, and Department members coming from Daiwa Securities

visit the branches of Daiwa Securities in order to enhance the recognition of our portfolio. A lease has already been arranged as a result of collaboration with the sponsor, and several other inquiries have been received. Going forward, we want to proactively work with the sponsor, as the Daiwa Securities Group companies and Daiwa Securities have interface with newer companies with which our property management companies do not have contact. In this endeavor, we hope to achieve leasing results through these efforts within six months to a year.

Besides, the fact that DOI is a REIT not related to any real estate company allows us to exchange information with leasing brokers in an open and candid manner. As such, it looks advantageous for us that the sponsor does not invoke any sense of resistance.

**Q4. Will it be possible for you to reduce the expected debt cost rate for the 14th fiscal period to around 1.5% on average?**

Detailed negotiations are currently under way with many financial institutions concerning the refinancing of borrowings totaling 19.6 billion yen. We will announce the results as soon as the discussions reach a conclusion.

**Q5. Shinjuku Maynds Tower's NOI yield stands at 2.6%, but its appraisal value has not been changed. Do you foresee an asset impairment risk with the property?**

We have provided the appraisal companies with every piece of information about properties, and we believe that all conceivable risks have been factored into the appraisal values. As for Shinjuku Maynds Tower, we consider the rent for spaces leased after the move-out of a large tenant in the 9th fiscal period as representing the bottom. There is also strong demand from existing tenants for expanded floor areas within the property. As such, advertised rents for new tenants, etc. will increase from now onward. We don't believe the property will show any further drop from the current level in terms of NOI, and we do not take into account any asset impairment risk at present.

**Q8. The number of tenant cancellations reached 20 in the 12th fiscal period, increasing from the previous period. What caused the increase, and what prospects do you have on this issue for the future?**

The number of cancellations in the 12th fiscal period was quite a few at 20, and the cancelled spaces were large. However, the cancellations were not made because of the impact of the earthquake or because of buildings being aged, but rather for space consolidation, etc. in order to reorganize corporate groups or enhance operational efficiency of the tenants. We anticipate the number of cancellations in the 13th fiscal period will be equal to or fewer than the 12th fiscal period results. As for the 14th fiscal period, the number of tenant cancellations is expected to decrease based on current conditions.

**Q9. You said you will make investments in areas where rents are expected to increase over a medium term. Which areas do you have in mind specifically?**

To acquire properties, the Acquisition Team in the Investment Management Department of Daiwa Real Estate Asset Management conducts detailed investigations in collaboration with the Asset Management Team. We will narrow down areas to research properties for acquisition, rather than look at large areas such as Shinjuku and Shibuya. As to specific areas, we would like to refrain from answering here, as this is an occasion to inform of our earnings results.

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