

This document was prepared based on statements made at the earnings announcement meeting held on January 21, 2016 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 judgments as of 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&A at the 20th Fiscal Period Earnings Announcement

Date and Time: 15:30-16:30, January 21, 2016 (Thursday)

Presenter: Akira Yamanouchi / President and Representative Director

Daiwa Real Estate Asset Management Co., Ltd.

*Questions are presented in order of sequence.

Q1. A relatively large tenant is scheduled to move out during the 22nd Fiscal Period. Can an increase in rent be expected through tenant replacement?

(Answer)

We believe there is room for an increase in rent. However, in this particular case, the current tenant's rent is not markedly low so we do not expect a large increase in rent for the time being.

Q2. Is the reason that the expected amount of increase in rent revenue through the elimination of free rent is smaller than the previous fiscal period since free rent periods are shortened?

(Answer)

The main reason is not that free rent periods are shortened. Rather, it is that the occupancy rate increased and the number of new leases and cancellations decreased so the portion of free rent being granted has decreased. We plan to continue strategically offering free rent periods in order to realize increased rents.

Q3. You say that you will acquire properties while considering the conditions of the capital markets. Are acquisitions by J-REITs slowing down overall given the recent decline in stock prices?

(Answer)

Presently, no effects on property prices are seen from the decline in stock prices in the beginning of the year. What we mean by considering the capital markets is that each time we consider a property for acquisition we deliberate and discuss within the company whether our investors will be happy with the acquisition. While being sufficiently aware that the stock market is unstable, we will consider an acquisition if we look at the property in the long term and deem it positive, just as we have up till now.

Q4. Given the current real estate market as well as your experience, what are the prospects for the property acquisition environment six months to a year from now?

(Answer)

As long as the stock market does not fluctuate even more, no changes are expected in the players that would mainly be competitors in acquiring properties (listed REITs, private REITs, overseas funds, etc.) so I don't think there will be any significant changes in property prices. Regarding the view of rents which are the basis for property prices, increases in rents can be expected for some areas like Shibuya where the vacancy rate is low, but when you consider other areas as well, I think that we have not yet arrived at a place where overall property prices have incorporated a significant increase in the rent level.

Q5. Do you think that the demand for office buildings will continue to be strong?

(Answer)

I feel that the demand from tenants has not changed in particular, even since the beginning of the year when stock prices significantly decreased. No changes in demand for office buildings were felt during the previous year's China shock either.

Q6. The demand from tenants to increase floor space is strong while the occupancy rate is already high. Isn't there a risk that you won't be able to respond to such demand from tenants?

(Answer)

There are such risks, but currently we haven't found that many tenants are considering relocation in order to increase their floor space. We are endeavoring to respond to the demand of tenants to increase floor space by introducing other properties in our portfolio that have vacancies and such.

Q7. How do you see yields when acquiring properties? Until now Daiwa Office Investment Corporation had a lower portfolio yield and so properties with a higher level of yields were acquired. However, it seems that it would become difficult to acquire properties with yields higher than the portfolio if the portfolio yield becomes higher due to internal growth. What are your thoughts on this?

(Answer)

From an investor's perspective, I think that the key points in assessing yields for property acquisitions are dividends, NAV, investment unit price, implied cap rates and such. We also assume public offerings for acquiring properties and in that case we consider whether the acquisition is favorable or not to our investors as an evaluation criteria. Specifically, for the time being we consider acquisitions even for properties with yields at the time of acquisition in the latter 3% level if yields of more than 4% can be realized in the medium term through asset management.

Q8. The internal growth is higher than the market level but I have recently heard that fluidity of human resources is increasing in the real estate management industry. Do you have any measures to maintain your asset management team which has succeeded in implementing favorable internal growth?

(Answer)

Up to now, we have employed excellent personnel with ample experience in office buildings management. We believe that it is very important to maintain an excellent asset management team and are currently also putting efforts into the nurturing of more junior staff by our senior members.

Q9. How much of an increase in rent will you attain with the tenant replacements at Shinjuku Maynds Tower and E SPACE TOWER?

(Answer)

We cannot give you the specifics on rent as we have confidentiality with our tenants. As a basic image, the new rents at both properties are about 10% higher than rents that were considered high about one or two years ago.

Q10. Is there any possibility that you will sell properties? Also, have there been any inquiries for acquiring your properties?

(Answer)

We will continue to implement asset replacements in our portfolio. Currently we continue to get inquiries for property acquisitions even if we don't propose sales. We may consider selling our properties if good prices are presented but we are in no rush to sell our properties.

End