Summary of Q&A Session

Japan Real Estate Investment Corporation/

Performance Review for the Period ended March 2021 (held on 18 May 2021)

Japan Real Estate Asset Management Co., Ltd.

This Q&A is a summary of the Q&A session of Japan Real Estate Investment Corporation's performance review for the period ended March 2021 held on 18 May 2021. "Q" represents a question raised by participants and "A" represents the answer provided by Japan Real Estate Asset Management Co., Ltd. The Q&A below has been edited for clarity and readability. The video of the latest performance review is available on the top page of our website.

<Q1> Your March 2022 forecast suggests a dividend cut from the previous period as no external growth or sale of a property is expected for the March 2022 period. Do you not intend to keep raising dividend through strategic property replacement, for example?

<A1> Yes, we do intend to keep raising dividend. We think it is possible to keep raising dividend thanks to some external growth or other means, but this should not be considered a promise or a commitment. .

<Q2> If you replace a property in your portfolio, are you going to replace a mid-to-small sized property or large property? Is the size one of the criteria to select a property to be replaced?

<A2> The size of a property is not one of the criteria. We select a property for replacement based on its future competitiveness.

<Q3> What makes you predict that rent revenue from the existing properties will go up in the March 2022 period?

<A3> Vacancy rates are expected to keep rising, but there are some promising vacant space that is expected to be leased out as well. Also, we think it is possible to see some tenants beginning to look for spaces in the latter half of the year.

<Q4> What do you think will cause the occupancy rates to stop falling and start to pick up?

<A4> The progress in Japan's vaccine rollout and the economic recovery in the West can be a turning point where those tenants who have adopted a wait-and-see attitude begin to look around.

<Q5> Were the cancellation charges seen during the March 2021 period due to the cancellations for the fixed-term lease contracts? Do you anticipate more cancellations going forward?

<A5> These were cancellations for the fixed-term lease contracts where tenants could no longer afford the rent, but there was no spike in the number of such cancellations. We don't anticipate many cancellations in the months ahead. Cancellations will be a short-term plus for us financially but will also send the vacancy rates higher.

<Q6> You've mentioned that there is an increased need among tenants for health and well-being. What is your take on the cost of renovation to meet such growing need?

<A6> Whenever we renovate our properties, we aim to add value by making them more competitive. That may seem additional cost in the short term, but we take it as an investment because that will contribute to an increase in rent revenue in the end.

<Q7> You seem to have been cautious about public offering since the current pandemic began. What about going forward?

<A7> We see both a decline in the volatility of our unit price and a recovery in our price level, so we are now looking to consider public offering as long as there is an opportunity to buy attractive properties.

<Q8> What is your view about the demand for office space especially among big companies?

<A8> When we begin to see signs of the pandemic retreating, those big companies that shifted to working from home responding to government request may start trying to find yet another new way of working, possibly adding a new variable into the office demand landscape.

<Q9> On Sustainability Linked Loan, can you get a lower interest rate if you clear a set target? Will there be more lenders to offer such loan?

<A9> Clearing a set target will lower the interest rate by one basis point. Sustainability linked loans have begun to attract attention lately, so it is likely that other banks will consider following suit.

<Q10> If you should sell a property and post a gain on the sale for the period ending March 2022, is it not true that you wouldn't have to spend from the internal reserves?

<A10> We are not expecting right now a gain on the sale of a property in the March 2022 period, and so we assume approximately 250 million yen, which is 1/20 of the internal reserves, will be paid for additional dividend payment. We cannot say definitively today because we will make a final decision taking all the factors into consideration at the time, but the idea is that if there is a gain on the sale of a property and that gain exceeds the aforementioned 250 million yen, we don't have to tap the internal reserves at all.