Summary of Q&A Session

Japan Real Estate Investment Corporation/
Performance Review for the Period ended September 2020
(held on 17 November 2020)
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 September 2020 held on 17 November 2020. "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> How much replacement do you think is necessary for the current portfolio? And how quickly are you going to replace properties, in two to three years or in five to ten years?

<A1> The extent to which replacement is needed depends on how fast the office market will change in the near future. The majority of properties in our portfolio will generally remain highly competitive in the next two to three years, but it is important to consider whether these properties will remain as competitive as today in years to come. In this respect, we think that replacement should take place over the course of five to ten years rather than in a short period of time.

<Q2> On vacancy rates, is there any change between the current condition and the outlook announced six months ago?

<A2> It was extremely difficult to provide an outlook six month ago in the midst of the state of emergency for COVID-19. We simply guessed a rise in vacancy rates without any compelling data, but it turned out that the rise in vacancy rates was almost in line with our guessing. We feel some more tenants are moving out in the next few months, and the vacancy rates could keep going up for an extended period of time.

<Q3> Do you think it is possible to cut costs further?

<A3> We will continue to keep the costs under control, but we don't think it is healthy, for example, to keep cutting repairing expenses at the same pace seen in the September 2020 fiscal period. We have always tried to reduce property management expenses, but further cost savings that will result in a dramatic boost in DPU seem unlikely.

<Q4> The company gave up its intended public offering back in August. What conditions have to be met for you to resume equity financing in the future?

<A4> If an opportunity to acquire excellent property arises, we will of course consider equity offering. But given that the unit price of office REITs has been sluggish in general, we will take into account other conditions including the NAV ratio and the implied cap rate.

<Q5> Do you consider a buyback of the investment units?

<A5> We do not contemplate a buyback at the current price level. We may consider buying back our investment units if the price falls significantly and remains at the low level for long time so that our unit holders can benefit from the buyback.

<Q6> Is there any area, location, or sector of business where office demand is expected to be weak?

<A6> Tenants who suffered most by the pandemic are the first to move out. Our portfolio does not necessarily represent the entire market situation, but so far we have found no notable differences by geography.