

Summary of Q&A Session of the Financial Results Briefing for the 22nd Period
(ended June 2017)

This material is a summary of the Q&A session of financial results briefings for the 22nd period ended June 2017, held on August 18, 2017, with questions from participants labeled as "Q" and answers from Japan Excellent Asset Management labeled as "A." This material has been amended and revised for your better understanding.

<Q1>

Is the forecasted DPU of 2,800 yen in the 24th Period on a normalized basis?

<A1>

Considerations will be made on how to maintain and increase distributions based around the amount of 2,800 yen. However, not only the distribution level but also the level of LTV, content of PO, level of NAV and other factors will be judged in a comprehensive manner.

<Q2>

With regard to the level of LTV, the remaining acquisition capability is said to be around 13 billion yen but is there a policy to enhance the acquisition capability a bit more by considering future acquisition opportunities?

<A2>

LTV is originally managed at a level of 45-50% and the current level of 47.9% is recognized to be at a slightly high level. The remaining acquisition capability for properties of which acquisition is being considered is around 23 billion yen. A slightly higher acquisition capability is better. However, JEI considers the level of DPU, equity financing environment, etc., there is an aim to conduct well-balanced management.

<Q3>

Are there any risks of move out by major tenants especially Toshiba Information Systems?

<A3>

No notification has been received on move out from major tenants. The renewal of leasing contract with Toshiba Information Systems has been completed and the risk of a sudden move out is considered to be low. Management is being conducted to sufficiently withstand the worst scenario were it to occur.

<Q4>

How long is the extremely low departure rate anticipated to continue for? Taking into consideration the mass office supply in and after 2018, please share any thoughts on the matter.

<A4>

In the performance forecasts, the move out rate is forecasted under a slightly conservative assumption including assumed move outs in addition to move outs that have been decided as of now. At present, it is difficult to forecast the move out rate in and after the fiscal period ending December 2017 but it is expected that the move out rate will remain at 1-2% without assuming the increase of space vacated by tenants including major tenants.

<Q5>

Is the upward trend of unit rent thought to continue?

<A5>

It is preferred that increases in unit rent continue for a while. Because there is strong demand and lenders are in an advantageous position, we would like to utilize vacant rooms as valuable resources for raising rent levels as opposed to forcibly filling vacant rooms. However, no evidence is available to make judgements on when unit rent will begin to decrease.

<Q6>

It was mentioned that the worst-case scenario is assumed for Q3, but does this apply to tenants or the overall portfolio?

<A6>

Major tenant move outs are not being assumed. Tenants affiliated with Toshiba occupy approximately 8,000 tsubos and the worst-case scenario is expressed as if those tenants were to move out. This is to mean that the worst-case scenario could be withstood, even if it were to really happen.