

Investor Presentation for the 21st Fiscal Period Ended August 2016 held on October 20, 2016  
Major Questions and Answers (summary)

Q. 1

The period to achieve the asset size of 800 billion yen is assumed to be around 5 years if annual acquisition is about 50 to 60 billion yen. Would there possibly be any sales of properties during that period?

Ans. 1

If possible, we would like to achieve the goal of 800 billion yen at an early stage by acquiring as many properties as possible. However, it is also possible that we may sell properties that are unlikely to generate sufficient yields in the future.

Q. 2

Is it correct to assume the asset type of properties to be acquired in the future will be, considering the sponsor pipeline, mainly logistics and then additionally some retail and residential?

Ans. 2

As to the acquisition environment, although we do obtain property sales information, it is difficult to actually acquire properties from outside parties as there are few that satisfy the expectations of both parties. Under such circumstances, the main source for property acquisitions in the future will be the sponsor, and logistics properties are likely to account for roughly 70% of acquired properties as described in the presentation material.

Q. 3

The asset managers also merged. Please indicate which sections of the new management structure have been reinforced and such.

Ans. 3

The asset manager started out with 61 staff members upon merger. With acquisition of new types of assets such as hotels and offices, we would also like to develop necessary human resources going forward.

Q. 4

When the merger was announced in April, initiatives for hotels by the sponsor group were explained and hotels were positioned as one of core assets in the new REIT as well. Considering also the

environment of the hotel industry over the past six months, are there any changes to the hotel investment strategy?

Ans. 4

Daiwa House Group operates business hotels called Daiwa Roynet Hotels in 44 locations across the country. In addition to the properties owned by the group among the hotels, we will consider acquisition of properties that will be developed in the future. The environment surrounding the industry is expected to become slightly harsh going forward.

Q. 5

What is the expected yield for properties to be acquired in the future?

Ans. 5

We have not set an expected yield for each asset type, but will flexibly discuss considering factors such as location, building age and specifications of properties. Comprehensive judgement will be made taking into account the NOI yield and yield after depreciation of existing portfolio on a normal basis.

Q. 6

Can DPU for the fiscal period ending August 2017 be considered as the normal level? With the expansion of the asset size in mind, what degree of DPU growth rate do you target?

Ans. 6

We consider DPU of 4,720 yen expected in the fiscal period ending August 2017 as the normal level. For future DPU, we look to improve it by 2 to 3% annually mainly with external growth.

Q. 7

Daiwa House Industry, the sponsor, has formed a private REIT with Fast Retailing (UNIQLO). Will Daiwa House REIT consider acquiring their properties in the future?

Ans. 7

We are not certain about the future, but management is said to be carried out by the private REIT at the moment.

Q. 8

For selling properties, do you have any target asset type or selection criteria?

Ans. 8

We have not started discussing any particular property, but in the case of residential properties, for example, an aged property with less than 1 billion yen in asset size of which yield is not likely to improve even if major repair is implemented could be subject to sale.

Q. 9

What is the prospect for the interest rate level presupposed for refinancing scheduled within one year?

Ans. 9

In the financial forecast, refinancing with the same interest rate level as for the current borrowings is scheduled.

Q. 10

Concerning the defects of rental housing announced by Daiwa House Industry, the sponsor, on October 18, 2016, is it correct to understand properties owned by Daiwa House REIT Investment Corporation are basically not subject to such cases?

Ans. 10

We believe the defects are found in low-rise prefabricated housing and are not related to the properties owned by Daiwa House REIT Investment Corporation.